

Thurston County Lease and Space Planning

Report #4 **Space Planning and Agency-level Planning Updates**

4



Washington State Department of
General Administration

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Preface

This is the fourth of seven reports on the Department of General Administration-led Thurston County Lease and Space Planning Project. This eighteen-month project was directed in the 99-01 Capital Budget.

Report #1 was issued in September 1999. It

- Summarized direction from statute plus the 99-01 Capital, Operating and Transportation budgets,
- Summarized many years of reference materials, a recap of recent office projects, and a complete description of all state leased and owned office facilities in Thurston County,
- Detailed GA's plan for assessing facilities needs, defining facility performance and cost standards, reviewing current state management practices, and developing improved ways to plan for new leased and owned office space, and
- Provided the status on facility planning being done by the Department of Health and the State's transportation agencies.

Report #2 was issued in November 1999 to assist the Governor and legislature consider agency requests for new space that might result in 2000 Supplemental Budget action. It identified potential Olympia and Tumwater sites which could meet the needs of those projects, preliminarily identified special requirements associated with developing those sites including potential mitigation, and reviewed how project options conformed to the 1991 Thurston County Master Plan. It also

- Described that state's general approach to locating new state offices,
- Explained the JLARC lease versus ownership cost model,
- Summarized state laws governing office procurement,
- Summarized national research on transportation demand management strategies,
- Proposed a new performance and technology specification of the state's 21st century office buildings,
- Suggested an appropriate cost for that standard,
- Presented comparative space standards, and
- Presented a case study on the recent consolidation of the Department of Retirement Systems.

Report #3, provided additional Lease and Space Planning information including more specific information about space needs for the departments of Health, Transportation, Licensing, State Patrol, Social and Health Services, and executive and legislative activities currently supported by the Legislative Building but which have to be relocated when the Legislative Building is renovated.

Report #3 also laid the groundwork in the following six policy areas for decisions that the Governor, State Capitol Committee and the Legislature will make beginning this summer.

1. **How will the state's current and future budgets be affected by these projects?** Report #3 explains how the state's JLARC lease versus ownership model can be used to identify project, life cycle and discounted life cycle costs. It also identifies some of the hidden costs associated with leasing projects and with the JLARC model.
2. **Choosing between building to own and leasing.** A summary of the common reasons cited by private developers and building owners and by public officials about the advantages and disadvantages of owning and leasing was presented.
3. **Building to meet today's needs or building for the future.** Report #3 begins an analysis of the growth in state employment over the next 10 years and the space implications of that growth. Much of the 10 year lease and space program to be presented in December 2000 will be based on refinements of this forecast.

4. **Deciding where to locate state office buildings to provide for the best public service delivery, best** support community development and regional transportation, optimize agency spending, and create the most value for the public. City-proposed refinements of the *Preferred Development Areas (PDAs)* in the 1991 Master Plan and local government-recommended *Preferred Leasing Areas (PLAs)* are presented. The location of state leases within these PDAs and PLAs is summarized.
5. **Agreeing on office building performance, space, transportation and cost standards for both state-owned and state leased offices.** Report #3 builds on the standards initially proposed in Report #2.
6. **Coordinating state leasing decisions between state agencies and between executive and legislative branches.** A leasing policy framework for the Leasing Policy envisioned in the 1991 Master Plan incorporating the previous 5 subjects is being developed to present to the State Capitol Committee at their June and July 2000 meetings.

This report, Report #4, continues to gather together in one place, summaries of how state government currently plans for its offices and information that must be considered when planning for new leased or owned office space.

Copies of this and other reports are available on GA's website at www.ga.wa.gov/Thurston County Reports.html. Also included at this site are copies of the following master plans:

- Master Plan of the Capitol for the State of Washington (1991)
- The Capital Community: Tumwater Campus
- The Capital Community: Lacey Campus

The report will also be distributed to legislative fiscal committees, local legislators, local governments, state agencies, local developers and lessors, and the media.

Contributors to this report were GA staff members Kirstan Arestad, Ted Cohen, Mark Lahaie, Cathy Shilling, Michael Van Gelder, Ted Martin, Viet La, Paul Szumlanski, Riley Bedford, Craig Donald, Steve Borst, Grant Fredricks, and Suzette Frederick of the Department of Health.

Questions, suggestions or comments on this report are encouraged. Please direct them to Grant Fredricks, Deputy Director, Department of General Administration at PO Box 41000, Olympia, WA 98504-1000, phone number (360) 902-7203 or e-mail: gfredri@ga.wa.gov.

Executive Summary

The 2000 Legislature did not act on the Governor's Supplemental Budget request for an office planning appropriation or the authority to procure a replacement leased facility for the Department of Health (DOH). It appears that they prefer to consider this need within the framework of the 10 year strategic housing plan and leasing policies being prepared through this planning project. That plan will be forwarded to the Legislature in December 2000.

This report, Report #4, continues to gather together both general and agency-specific planning information to provide the foundation for a series of policy decisions by the Governor, State Capitol Committee and Legislature about state office requirements, facility standards, management of leased and owned space, planning, leasing and office construction. Some of the decisions will help define the Governor's 01-03 budget and 2001-2010 strategic plan.

This report continues to lay the groundwork in three policy areas for decisions that the Legislature and the State Capitol Committee will make later this year:

1. **What improvement should be made in how the state manages and plans for its leased and owned office buildings?** Report #4 highlights differences between planning for leased and owned offices. It also identifies best practices that ensure facilities are well located and the benefits of consolidation and co-location are realized. Illustrative examples of how the state could achieve more consolidation by managing the existing inventory are also presented.
2. **What facility cost and transportation demand management standards should the state adopt?** Retrospective reviews of the 1995 JLARC Leasing v. Ownership Cost Model by both JLARC and GA staffs identifies the need for some continued refinements in how the state estimates and models its costs. Better and more coordinated cost estimating standards are also proposed. Finally, more clear expectations on land use, facility siting and state management actions to support transportation demand management are suggested.
3. **Deciding where to locate state office buildings** to provide for the best public service delivery, best support community development and regional transportation, optimize agency spending, and create the most value for the public. More information is presented about the Preferred Development Areas (PDAs) in the 1991 Master Plan and local government-designated Preferred Leasing Areas (PLAs).

Information continues to be collected on the current leasing and housing situation for state agencies. More detail on 13 different agencies is presented. Joint Olympia/Port of Olympia/State conceptual planning for downtown Olympia is also summarized.

The Report #4 appendices are again used to assemble in a single place all related information produced by the state or others that we believe should bear on the development of this 10 year strategic plan and its supporting policies. Included are materials developed for the 2000 legislature, newspaper editorials, copies of presentations made to other organizations, briefing materials for the State Capitol and Capitol Campus Design Advisory Committees, correspondence and meeting notes.

Section I. Space Planning Considerations

Facility Planning

HOW LEASED STATE OFFICE BUILDINGS ARE CURRENTLY PLANNED

Architects in GA's Division of Real Estate Services provide planning and design services to state agencies, boards and commissions for the development of new leased space and improvements at existing leased facilities. Planning and design services for leased state facilities are based on RCW 43.82.010(2), (8), (9) and (10).

State agencies, boards and commissions lease new space because of program growth, shrinking, consolidation or because their lessor chooses not to renew their lease or fails to maintain the space according to the lease.

Planning and Design Process for Lease Development

1. Agency Evaluation

The process begins with the agency evaluating its current and future space needs, starting with individual office and workstation space needs as well as common area needs such as conference rooms, training rooms, storage, restrooms and parking. This information is captured on a "Space Request Form" and converted to actual space requirements, such as square footage, location and type of space. In addition to space needs, the agency must also consider:

- The budget impacts of moving into a new space.
- The cost of move and set up, including new furniture and work stations
- The lease rate per square foot
- The cost of on-going maintenance, utilities and janitorial.

GA's DRES staff often assist agencies in these details of facility planning.

2. GA Review and Approval

When the evaluation is complete and within space parameters and all necessary agency budget approvals have been obtained, the agency formally submits the Space Request to DRES. It is reviewed and if approved by the Real Estate Group Manager, then assigned to a Leasing Agent and an Architect who serve the geographical territory that the project falls within.

3. Advertisement

An advertisement for the project is sent out by DRES on the agency's behalf. It provides a brief description of the agency's total square footage needs, the preferred geographical area and parking required. It also refers interested parties to DRES's Internet site or Fax on Demand telephone number where detailed information about the project can be obtained. Detailed information includes a sample lease, the State's Lease Space Requirements, together with any agency addenda and other specific agency requirements.

4. Evaluation of Proposal

Project respondents submit a proposal to DRES that includes the proposed project location, amenities, location of services, lease rate and other special terms or conditions. Only existing buildings under construction or site plan approved by the local jurisdiction are eligible to be proposed by respondents. The Leasing Agent reviews the submittals for compliance with policy and the project specifications and then sets up site evaluation tours by a "project team."

The Project Team generally consists of an agency representative, an agency facility planner or program manager, the DRES Leasing Agent and the DRES Architect. The team tours each proposed site and evaluates it based on a set of evaluation factors, such as the location (and the surrounding infrastructure), the building and cost. The team selects the proposal that scores the highest and will best meet the agency's space, program and budget needs.

The proposer of the chosen site is notified that it is the apparent successful proposer.

If the cost, conditions and schedule meet the agency's conditions then the project proceeds to the next step.

5. Design Planning

The DRES Architect oversees the design process and works with the agency staff, the agency's facility planner and Lessor's Architect to convert the agency's program to a specific floor plan. The floor plan, together with the Lease Space Requirements and agency Addenda, includes the necessary information for the Lessor to provide a built out space to the agency requirements.

6. Detailed Cost Breakdown

This Design Plan, including a Bid Cost Breakdown is sent to the Lessor who then works with his/her own design and construction team to provide detailed costs. These cost are separated into two categories:

- (a) Basic Requirements which are included in the lease rate;
- (b) Tenant Specific Requirements which the Tenant must pay in addition to the agreed to lease rate. (The agency either agrees to pay cash for these Agency Specific Items or request that they will be amortized over the first term of the lease.)

7. Notice to Proceed

After the Lessor and agency agree on costs, a lease is negotiated and, together with Design Development Drawings and Performance Specifications, is signed by Lessor and the agency. DRES then directs the Lessor to proceed with the project.

8. Construction Documents

The Lessor in most cases must secure additional design services from a licensed architect. This architect takes the Design Development Drawings and Performance Specifications and incorporates this information into "Construction Documents" which are necessary for obtaining construction and building permits.

These documents are much less detailed than public works projects for several reasons:

- The project space/site is usually but not always smaller;
- The mechanical, electrical, case work, and architectural items are bidder, not state designed;
- The mechanical contractor will hire his own mechanical engineer to provide only the necessary information to obtain permits and fabricate and install the system(s); and
- The mechanical engineer provides a letter of certification stating that the system meets the Lease Space Requirements.

9. Role of DRES Architect

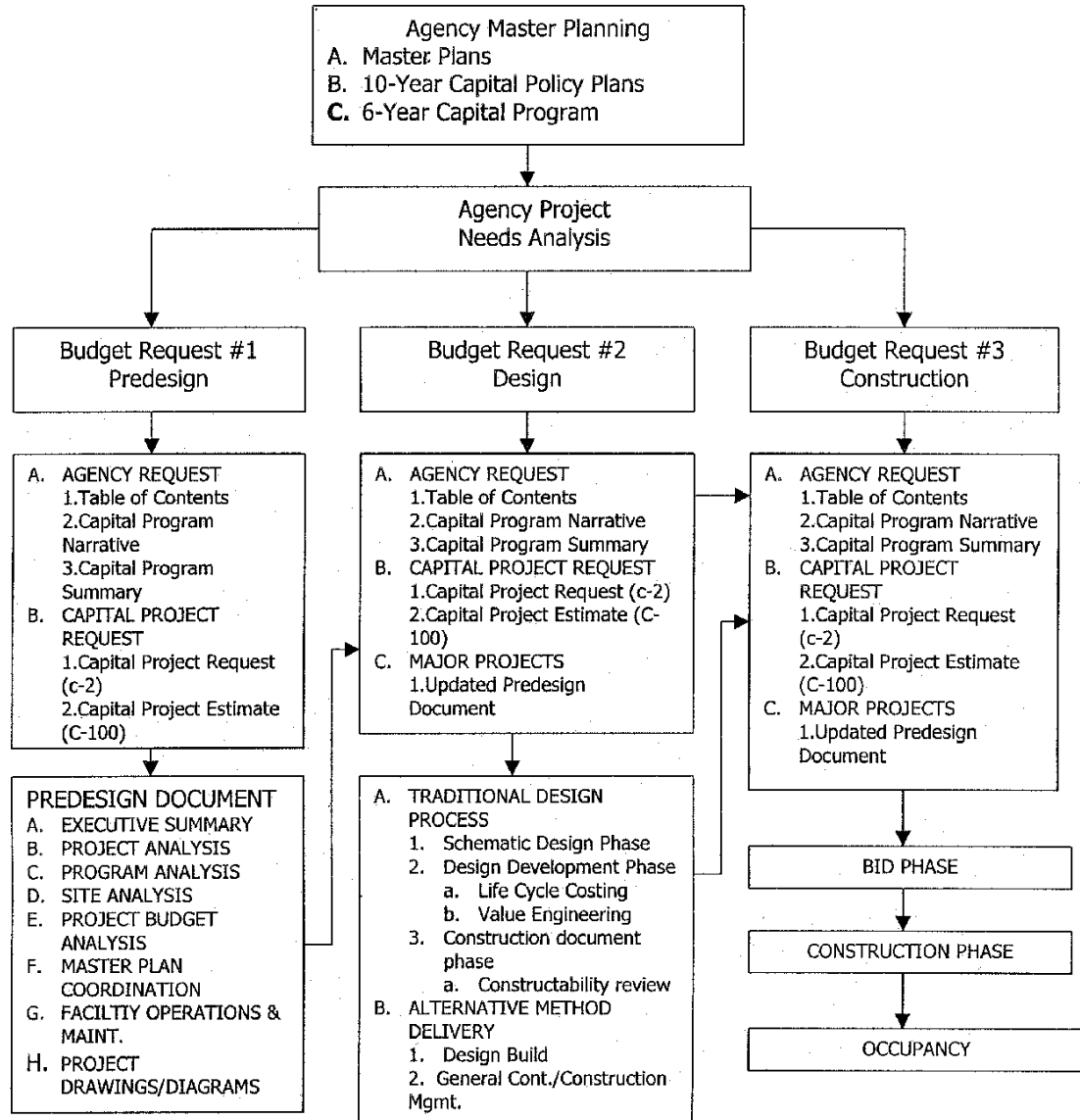
The DRES architect oversees the design and construction phase of the project. The activities include:

- Setting up an initial meeting and explaining the process and procedure for Change Orders and payments.
- Coordinating additional construction meetings as necessary.
- Insures that the project is being built to the Design Development Drawings and Performance Specifications that are part of the Lease.
- Verifies when the Facility is finished and ready for the agency to occupy and issues a letter setting the date when the space is usable to the agency.

HOW STATE OFFICE BUILDINGS ARE CURRENTLY PLANNED

Planning for state offices is done differently depending on whether the office is to be publicly or privately owned. Lease development project planning was described in Report #3 beginning on page 30. Planning for lease development offices is done by the leasing agency and GA and seldom involves OFM or the legislature. Public works office buildings, on the other hand, are subjected to a very formal process of pre-design, design and then construction as illustrated on the following:

Capital Process – Major Projects



The pre-design study part of that process is as follows.

Office Building Project Implementation

Key to the success of any state-owned office building project is a clear, accurate, and specific understanding of the facility need/problem to be addressed—and a thoughtful analysis of the options to meet the need or solve the problem. In Washington State, we have developed a pre-design study process for large public works projects (currently defined by OFM as costing \$5 million) to identify capital facility issues and the recommended investment to resolve the issue. A comparable process does not currently exist for large lease development projects.

During the Pre-design process the agency answers a specific set of questions designed to ensure full understanding of the alternatives available to resolve the facility issue that has been identified. This should include a leasing alternative.

Completion of the Pre-design Report is the first step in acquiring funding from the Legislature and Governor for the design and construction of the proposed solution should state ownership turn out to be the state's best alternative. Experience has demonstrated that high-quality Predesign studies provide a number of benefits, including: uncovering alternatives that had not been previously considered; identifying risk, cost or schedule issues not previously understood; and demonstrating the feasibility of well-defined agency project proposals.

Major or Minor Capital Projects

A Pre-design Study is a first step in the development and approval of all major capital projects – currently those with an estimated cost of \$5 million or more, that are particularly time sensitive, high risk, or that incorporate state-of-the-art technology. Projects under \$5 million should include a less formal pre-design phase when the project has significant policy implications or technical, logistical, or cost concerns to a program or agency. Every project would potentially benefit from a pre-design analysis, but the OFM requirements apply to only the largest and most complicated projects because of the time and cost to complete the study. A pre-design on a \$5 million project would cost from \$50,000 to \$65,000.

Typically much of the work to produce a Predesign Study is undertaken by the agency with consultants completing the required technical aspects. Appropriations may be obtained through the budget process prior to proceeding with a study in order to cover the costs and establish legislative intent for the project. Predesign Studies are required to be completed early in the capital budget process so that informed decisions can be made whether to fund the design and construction of the proposed project.

Contents of a Predesign Study

Predesign studies typically have the following sections:

- 1.0 Executive Summary**
- 2.0 Project Analysis**
- 3.0 Program Analysis**
- 4.0 Site Analysis**
- 5.0 Project Budget Analysis**
- 6.0 Master Plan and Policy Coordination**
- 7.0 Facility Operations and Maintenance Requirements**
- 8.0 Project Drawings/Diagrams**

2.0 Project Analysis. The Project Analysis includes the following:

- Scope of the project.
- Background information.
- Statement of need for the project and how it fits with the agency's strategic or business plan (problem to be solved).
- Alternatives to meet the need and the proposed solution. This not only includes various methods of meeting the needs of the project such as leasing, remodeling or new construction, but also includes the proposed management method to be used.
- Mission, goals, objectives, and legislative or executive intent of the proposed project.
- Project purpose, solutions, it's reasonableness, cost and benefits, as well as anticipated time schedule.

3.0 Program Analysis. The Program Analysis identifies the following:

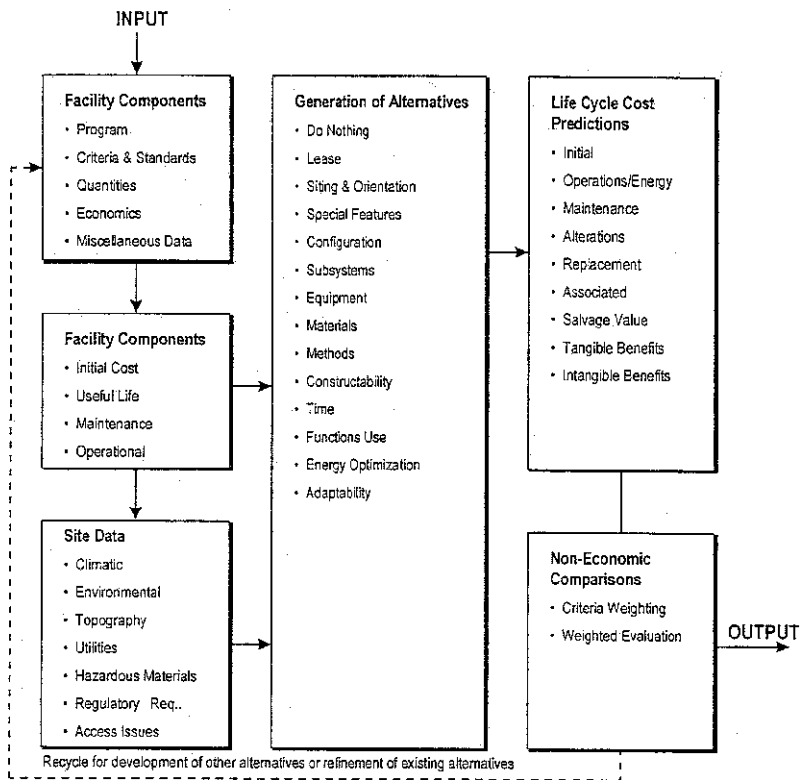
- Requirements of all spaces to be included in the design of the facility.
- Analysis of all existing program spaces that will have an effect on the proposed project.

4.0 Site Analysis. The Site Analysis evaluates the factors to be considered in siting the proposed project. This section includes a list of potential site locations and identifies factors such as zoning, accessibility, public transportation, and geotechnical considerations.

5.0 Project Budget Analysis. The Project Budget Analysis describes the major assumptions used in preparing the cost estimate, an outline specification of materials and methods, and the completed Agency/Institution Project Request Form C100 or C100A. It also includes the life cycle cost benefit analyses of the alternatives considered.

Life Cycle Cost Methodology

The following illustrates a flow chart for applying LCC to a project:



6.0 Master Plan and Policy Coordination. The Master Plan and Policy Coordination Section relates the project to any applicable agency or controlling plan (e.g., Thurston County Capitol Campus Master Plan or satellite Campus Plans). Proposed changes to the master plan as a result of the Predesign Study are discussed in this section. This section also addresses how the project responds to major legislative action or policy initiatives and policies such as the Governor's executive orders on Environment 2010 and Workforce 2000, the Growth Management Act of 1990, revisions to the state's policy on indoor air quality, Energy Conservation in Design of Public Facilities, the Clean Air Act of 1991, and others that may impact the project.

7.0 Facility Operations and Maintenance Requirements. The Facility Operations and Maintenance Requirements Section defines the project's impact on the operating budget for the agency in the next and future biennia. Items such as program staffing, operations, maintenance of the facility's mechanical and electrical systems, utilities, and internal rents are discussed in this section.

8.0 Project Drawings/Diagrams. The Project Drawings/Diagrams Section contains conceptual (pre-schematic) drawings of the proposed project in enough detail to describe the project. Site diagrams illustrating various sites and site layouts are also included. Schematic level documents are not required for the Predesign report.

LOCATION ANALYSIS AND EVALUATION

The real estate adage of “location, location, location” is giving way to “access, access, access.” Location alone is not sufficient. What is important is the access to the facility by customers, clients, suppliers and employees.

Access to state facilities is critical for state government. Effective accessibility helps ensure that the State provides services to its citizens. Public transportation is an important link in the ability of the State to perform this mission. The availability and capacity of public transportation for serving state facilities merits special attention during siting decisions.

The public has a legitimate interest in ensuring that development projects do not perpetuate auto dependency because of the detrimental impacts on the community's infrastructure and quality of life. Indeed, there is a state law, the Commute Trip Reduction Law that mandates that major employers develop and implement programs aimed at reducing single occupant vehicle trips by their employees. Significantly, the State is required to take a leadership role in implementing the goals of the CTR Law within its own operations.¹

“Opportunities for access to governmental functions and employment should not be conditioned upon the ability to afford and operate a vehicle.”² There is a clear relationship between land use and transportation mode choice.³ We now realize that the very location of buildings and the way they are built can literally “force” auto dependency on their occupants by discouraging (or making impossible) pedestrian, bicycling, or transit access. Indeed, the location of a building, in and of itself, can produce trip reduction because of the nature of the infrastructure in the vicinity and the design of the site. A growing number of research studies have established that the details of site layout, building orientation, parking capacity, transit serviceability and pedestrian and bicycle access are fundamentally important in shaping travel behavior.

Locating state facilities near bus routes – or funding new services where there is no existing service can fulfill these important objectives:

- Serve citizens who do not have automobiles.
- Offer employees additional transportation options.
- Reduce the need for parking spaces.
- Reduce leasing or construction costs by reducing the amount of parking needed.
- Promotes the State as an Environmental Steward.

Accessible design is an intermodal concept. The principles of accessibility increase the ease of access for bus riders who are by definition pedestrians for some portion of the trip to and from the site. Designing for pedestrian access then makes transit use feasible. To put it another way, transit supportive sites are generally synonymous with pedestrian and bicycle friendly sites.

Pedestrian design

One way to organize the evaluation or planning process to achieve better community design is to plan for walking, not as an “alternative mode,” but rather as the **primary** mode. Site design that benefits pedestrian access also benefits other modes, including auto.⁴

Bicycle design

For bicyclists, accessibility means safe, convenient storage on site, as well as safe, direct and continuous paths or routes to the site. Showers and clothes lockers greatly add to the ability of employees to use bicycles for commuting purposes.

¹ The Commute Trip Reduction Law (RCW 70.94.551)

² WA Department of General Administration “Statewide Co-location Study: Final Report.” June 1994. P.66.

³ Lawrence Frank and Gary Pivo. “Relationships Between Land Use and Travel Behavior in the Puget Sound Region” Seattle. Washington State Transportation Center. September 1994. Pp27-30.

⁴ A major Portland study concludes that vehicle miles traveled (VMT) could be reduced by 10% in the suburbs by creating a pedestrian-oriented environment. 1000 Friends of Oregon “Making the Land Use, Transportation, Air Quality Connection,” Portland. 1988.

Transit design

The overall land use pattern and circulation system determines how efficient the transit system can operate. Having “consolidated” origins and destinations, makes transit more efficient than driving autos, in many cases. However, this still requires that employment, housing and retail is within easy walking distance of transit. Transit facilities cannot be isolated from the pedestrian fabric.

A number of factors indicate whether a building site is compatible or accessible to transit or other alternative modes:

- Located within medium to high density, mixed use⁵ area
- Represents medium to high intensity of use of site⁶
- Near or on existing or planned route whose service levels are adequate to attract /meet peak period commuters (min. 30 minute frequency in non-peak)
- Ability to generate off-peak ridership
- Street design facilitates transit and other alternative modes and part of interconnecting grid system⁷
- Convenient and effective transit linkages to residential neighborhoods
- Short travel distances between home and work
- Facility is located near amenities⁸ (restaurants, grocery stores, banks, and so on) that support trip reduction (why use a quarter of a tank of gas to get a quarter gallon of milk)
- Sidewalks, bike paths access the site
- Parking supply is minimized
- Transit compatible building design⁹
 - Building is oriented to the sidewalk—easy pedestrian access
 - Locate building near the street corner—improves access
 - Parking and driveways should be located in the rear
 - Building is accessible from front and rear
 - Bus stop is integrated into property

⁵ Locating a facility in an area of mixed use can lead to an increase in carpooling, vanpooling and transit use. Robert Cervero suggests an increase of 4.5% in “America’s Suburban Centers: The Land Use-Transportation Link.” Unwin-Hyman. Boston. 1989. Whereas, JHK and Associates discovered 5-7% reduction of trips in “Trip Activity at Regional Shopping Centers. California Air Resources Board, Report A132-094. Sacramento. 1993. PSRC studies have suggested that mixed use could result in trip length and vehicle miles traveled reductions of 10%. Puget Sound Regional Planning Council. “Update of the Metropolitan Transportation Plan for the Central Puget Sound Region, Technical Paper MTP 12.” August 1994. P.26.

⁶ Transit ridership increases significantly as employee density exceeds approximately 50 employees. Institute of Transportation Engineers. “A Toolbox for Alleviating Congestion and Enhancing Mobility.” Washington, DC. 1997.

⁷ A continuous network of street right-of-way is important to support a continuous network of “pathways.” The use of cul-de-sacs and dead end streets can greatly increase distances that pedestrians and bicyclists must travel, and thus discourage such travel. In addition, where many streets do not connect through, it becomes difficult to establish transit routes that pass conveniently near residences. San Diego Metropolitan Transit Development Board “Designing for Transit: A Manual for Integrating Public Transportation and Land Use Development in the San Diego Area” San Diego, CA, July, 1993

⁸ Increased residential and employment densities, mixed land use, and jobs-housing balance can reduce total vehicle travel as more destinations, especially amenities, are nearby. This is called “access by proximity.” Eric Damian Kelly. “The Transportation-Land Use Link”, Journal of Planning Literature, V9, N.2, November, 1994. Pp. 128-145.

⁹ “A Guide to Land Use and Public Transportation.” Snohomish County Transportation Authority. 1989.

Application of Criteria

The tables below provide examples of the effect of the location criteria described above.

Table 1. The Effects of Land Use/Urban Design on Transit Mode Share

Urban Design/Land Use Characteristics	Impact on Transit
Availability of convenience services	3.7 % increase in transit use
Mix of land uses	3.5% increase in transit use
Accessibility of services	3.3% increase in transit use
Area perceived as safe	1.8% increase in transit use
Aesthetically pleasing environment	4.1% increase in transit

Source: Cambridge Systematics. "The Effects of Land Use and Transportation Demand Management Strategies on Commuting Behavior." Federal Highways Administration. 1994.

Table 2. Relationship of Density to Peak Period Mode Split

	Low Density Suburb	Activity Center/ Employment Cluster	Regional CBD/ Major Corridor
Modal Split			
SOV	85%	65%	41%
Transit	7%	16%	30%
Carpool/Vanpool	8%	18%	29%
Avg. Vehicle Occupancy	1.05	1.20	1.35
Avg. Vehicle Ridership	1.13	1.35	1.90

Source: Adapted from Institute of Transportation Engineers "Implementing Effective Travel Demand management Measures: A Series on TDM." Federal Highways Administration/Federal Transit Administration. Washington DC. 1993.

Table 3. Number of Vehicles and Distance Traveled by Household Location

Location	Vehicles per household	Vehicles per driver	Total daily miles traveled per person
Urban	1.9	1.0	19.1
Suburban	2.3	1.2	27.5
Rural	2.4	1.3	32.7

Source: "1998-1999 Thurston County Household Travel Survey." Thurston Regional Planning Council.

Note: "Urban" corresponds approximately with the boundaries of the three cities of Lacey, Olympia and Tumwater. "Suburban" corresponds approximately with the urban growth boundaries. "Rural" is the rest of the county.

CO-LOCATION AND CONSOLIDATION

"The current scattered location of state office buildings is primarily a response to the sudden continued growth of agency programs. Local market constraints on leased space of appropriate size and quality and lack of long-range leased space planning within most client agencies have contributed to fragmentation and dispersal of services. The dispersal of agencies has resulted in reduced service to the public and inefficiencies in operation and the use of office space. Multiple locations require duplication of equipment, space and sometimes personnel. Additional leases add to the costs of lease management and hamper efforts of state agencies to effectively promote ridesharing, vanpooling, and other alternatives to the single occupant vehicle."¹⁰

This situation led to the creation of new state policy regarding co-location and consolidation, embodied in RCW 43.82.10(5)—"It is the policy of the state to encourage the co-location and consolidation of state services into single or adjacent facilities, wherever appropriate, to improve public service delivery, minimize the duplication of facilities, increase efficiency of operations, and to promote sound growth management planning."

Consolidation

"Consolidation is the relocation of programs, departments, or divisions of one agency at a single location."¹¹

The reasons why state agencies seek consolidation vary from agency to agency, but at their heart are the following:

- To minimize the fragmentation of programs and program elements
- To reduce deficiencies in service delivery
- To enhance management and communication efficiencies
- To reduce duplication of services
- To reduce staff, equipment and space costs
- To reduce travel time (and cost) needed to coordinate between facilities

Agencies see consolidation bringing the following benefits:

- Improved service delivery
- Efficiencies of scale
- Minimization of duplication of services and functions
- Increased operational efficiencies
- Reduction of costs
- Improvement of intra-agency functional efficiency
- Increased effectiveness of teamwork and interdisciplinary and inter-program efforts
- Improvement to internal management and communication
- Promotion of sound growth management planning

¹⁰ WA Department of General Administration. "Statewide Co-location Study: Final Report." June, 1994

¹¹ Ibid., p 5

Previous Consolidations

Over the past 10 years, a number of major consolidations have occurred. Described below are the agency in question and reasons for consolidation.

Department of Labor and Industries Consolidation¹²

- Consolidation of interdisciplinary work groups
- More efficient utilization and management of facilities
- Improved access to public
- Elimination of staff travel between facilities
- Better time management
- Elimination of parking problems
- Improved work environment

Department of Natural Resources Consolidation¹³

- Reduction of duplicated activities and facilities
- Improved service delivery
- Efficiencies of scale
- Flexibility
- Minimization of staff travel between facilities
- Increased accountability and measurement of effort

Department of Retirement Systems Consolidation¹⁴

- Reduced agency travel
- Improved customer service
- Lower facility life cycle costs
- Better facilities for staff training
- Enhanced environment for agency quality improvements
- Improved employee morale

Co-Location

"Co-location is a shared site, complex or building occupied by two or more public service providers or administrative uses. These may be state, local or federal agencies, non-profit organizations or a combination. There may be common clients, activities or functions. Lack of a common mission or client is not a barrier to co-location if activities are generally compatible, or incompatible functions can be conditioned to minimize conflict."¹⁵

The Statewide Co-location Study findings together with other information are summarized below as a set of guidelines to be applied for proposals of co-location. It should be noted that some of the benefits ascribed for consolidation also apply to co-location.

¹² For more details, see—WS Department of General Administration "Washington State Capitol Office Program: East Campus Plus." February, 1989 and "Review of Cost Savings Projections of the East Campus Plus Project." March, 1993.

¹³ Ibid.

¹⁴ WA Department of General Administration "Report #2, Interim Report on Space and Project Planning." November 1999. Pp. 97-98.

¹⁵ op cit. "State-wide Co-Location Study p. 5.

Efficiencies and Benefits of Scale

Benefits of scale means the capability to optimize the usage of resources and facilities through shared usage and the capability to obtain output enhancing systems and facilities that are cost effective only in larger settings.

a). Cost avoidances through shared use of facilities

Multiple locations mean duplication of equipment, rooms and services. When there are similarities in the activities of the co-locating agencies, opportunities exist for savings through joint use of equipment, reception lobbies, mail rooms, amenities, staff support and maintenance costs as well as consolidation of operations. Activities that are not related still provide opportunities for sharing expensive space: conference facilities, parking lots, multipurpose rooms, rest rooms and food facilities.

b). Reduction of costs of new construction

By co-locating activities of multiple state agencies on fewer sites, less land should be needed than if agencies were dispersed. Land development costs should be reduced through the economy of sharing major infrastructure elements including roads, water, sewer lines, and storm water treatment facilities.

c). Improved asset management

The reduction of redundant leases that are costly to manage and maintain frees up the capacity of facility planners and leasing agents to conduct other business.

d). Better accommodation of modern technology

The number of local area networks and file server rooms, and the technicians to support them, are minimized when facilities are co-located or consolidated. The management of voice and data cabling is also more efficient.

e). Improved physical security

Building reception and access control is becoming increasingly necessary to maintain a safe working environment and protect resources from theft. By co-locating agencies, receptionists can be shared and access to work areas controlled.

Service Improvement

a). Delivery of services

The current fragmentation and dispersal of agencies in this county and others causes confusion for agency customers (both public and other state entities) and duplication of services, staff and equipment. This dependence on multiple leased space is costly and frequently inefficient. The ability for the public and state service providers to make fewer in-person contacts in the course of conducting business without requiring multiple vehicle trips would significantly enhance service delivery—and the perception of service delivery.

b). Common clients and coordination of service

If agencies share clients, they can generally be located together. State agencies have multiple customers with competing demands: direct service, education, and enforcement. Some customers are agencies or other branches of government, while others are individuals. There are also customers who need to access services from multiple agencies. The proximity of agencies to one another through co-location creates an opportunity for agencies to improve coordination of service(s).

c). Service center identity

State service delivery can often be complex and confusing to members of the public with unfamiliar surroundings, similar sounding names, multiple symbols and differing office hours and locations. A concentration of state agencies provides a visible presence of state governments in communities. Co-location enhances the concept of government service center where people perceive they can go to for help for a broad range of services.

Flexibility

Agencies need to be able to change working arrangements and office configurations while maintaining the physical integrity of the building. The use of modular work stations helps in doing this. Multi-purpose lobbies and public service areas also provides flexibility.

Critical mass

Critical mass involves either the number of employees or the amount of space assembled, and provides the basis for a sound program or business for new facilities or renovating existing ones. Critical mass also allows the state to take advantage of economies of scale in terms of the non-duplication of equipment, supplies space and staff. Critical mass development supports public transit use and the viability of surrounding commercial and retail infrastructure.

Concentrations of state offices provide an opportunity to support local development goals of a more compact growth pattern around urban centers, in contrast to a dispersed pattern sustained in large measure by the car.

COST AND LOCATION CONSIDERATIONS IN FACILITIES DECISION MAKING

The state's budget and accounting systems do not assemble in one place all facility-related costs nor are all these costs necessarily included when operating or capital investment decisions are made.

The cost items listed below were identified by state facility managers and lessors as those that should be considered. Some of these costs will be offset by savings or other avoided costs as noted elsewhere in this and earlier reports.

Occupancy costs other than lease costs paid by tenants in leased facilities:

- Parking
- Utilities
- Tenant improvements
- Custodial
- Maintenance
- Security
- Furnishings
- Real and personal property insurance
- Property management fees
- Special equipment maintenance
- Facility-related data support systems
- Window washing
- Property taxes and special property assessments
- Local Improvement District payments

What costs should be considered when making decisions on moving or modifying facilities?

- Brokers fees
- Space and move planning
- Moving
- Down time of staff
- Data and telephone hook up
- Furniture if newly purchased
- Infrastructure improvements needed because of move or modification
- Printing new letterhead or business cards if address changes
- Tenant improvements
- Space design costs
- Agency fees to GA to negotiate new lease
- Capital project surcharge or debt recovery
- Facilities Services Charges

Conditions that would cause new facilities to be located in:

Preferred Leasing Areas (if adopted by State Capitol Committee)

- The state doesn't anticipate owning the facility
- Relative cost of leasing v. other space acquisition methods
- Location criteria listed below

Preferred Development Areas

- The state anticipates owning the facility
- Relative cost of ownership v. other space acquisition methods
- Location criteria listed below (next section)

Factors that should be considered in locating new state facilities (leased or owned)

Site

- Suitable geo-technical conditions
- Suitable area for development and future expansion (supporting long-term agency growth)
- No regulatory constraints
- Development consistent with master plan (achieving goals for local land use, transportation, the environment and urban design)
- No infrastructure problems
- Location associated with agency business

Environmental

- Site problems
- Wetland mitigation required
- Displacement of community assets
- Ability to accommodate increased traffic

Access

- Proximity to Capitol Campus
- Easy public accessibility/wayfinding
- Encourages mass transit use
- Enhancing the public service functions of agency
- Agency function and mission

Design Potential

- Compatibility with and responsiveness to surrounding community use
- Potential for massing

Other

- Walking distance to amenities and services
- Community acceptance
- Maximizing long-term economic investments in land, infrastructure and development costs

BEGINNING TO IDENTIFY CONSOLIDATION OPPORTUNITIES

One goal of space planning is to identify opportunities and then work to consolidate agencies that are currently disbursed throughout Thurston County. Earlier reports showed the degree of agency fragmentation.

The data below presents two views of information in the Division of Real Estate Services - Lease Operations System (March 2000). One is organized by location and one by agency.

Leases by State Agencies Arranged by Location

NAME	ADDRESS	CITY	SQ FT
4450 10th AVE SE	4450 10th Ave SE	Lacey	54,788
4450 10th AVE SE	4500 10TH Ave SE	Lacey	54,788
Lacey Financial Plaza Building	420 Golf Club Road	Lacey	4,054
Lacey Financial Plaza Building	420 Golf Club Road	Lacey	5,694
Lacey Financial Plaza Building	420 Golf Club Road	Lacey	2,525
Market Square	719 Sleater-Kinney Rd	Lacey	6,667
Market Square	720 Sleater-Kinney Rd	Lacey	11,997
Market Square	720 Sleater-Kinney Rd	Lacey	7,070
Rowe Six	4224 6 th Ave SE	Lacey	5,718
Rowe Six	4224 6 th Ave SE	Lacey	7,989
Rowe Six	4224 6 th Ave SE	Lacey	3,861
Rowe Six	4224 6 th Ave SE	Lacey	9,126
Rowe Six	4224 6 th Ave SE	Lacey	9,300
Rowe Six	4224 6 th Ave SE	Lacey	4,570
Rowe Six	4224 6 th Ave SE	Lacey	21,055
Sixth Ave Center	4317 6 th Ave SE	Lacey	7,000
Sixth Ave Center	4317 6 th Ave SE	Lacey	8,600
Woodland Square	4507 Woodview Dr SE	Lacey	5,746
Woodland Square	605 Woodview Dr SE	Lacey	7,569
Woodland Square	605-618 Woodview Dr SE	Lacey	68,574
Woodland Square	621 Woodland Sq Lp SE	Lacey	15,526
Woodland Square	629 Woodland Sq Lp SE	Lacey	33,269
Woodland Square	640 Woodland Sq Lp SE	Lacey	52,665
Woodland Square	670 Woodland Sq Lp SE	Lacey	33,345
1110 S. Jefferson St	1110 S. Jefferson St	Olympia	24,878
1110 S. Jefferson St	1110 S. Jefferson St	Olympia	19,500
3000 Pacific Ave	3000 Pacific Ave	Olympia	23,789
3000 Pacific Ave	3000 Pacific Ave	Olympia	44,393
7240 Martin Way	7240 Martin Way E	Olympia	3,099
7240 Martin Way	7240-B Martin Way E	Olympia	4,900
Arab Rd.	7741 Arab Rd	Olympia	9,893
Arab Rd.	7741 Arab Rd	Olympia	6,900
Black Lake Bldg 3	2000 4 th Ave W	Olympia	20,221
Bristol Court	2420 Bristol Ct SW	Olympia	6,317
Bristol Court	2420 Bristol Ct SW	Olympia	6,317
Bristol Court	2424 Bristol Ct SW	Olympia	17,902
Building 2 & Building 1	405 Black Lake Blvd SW	Olympia	71,832
Capital Park Building	1063 Capitol Way	Olympia	433
Capitol Court	1110 Capitol Way S	Olympia	12,001
Capitol Court	1110 Capitol Way S	Olympia	49,094
Capitol Park Bldg.	106 11 th Ave W.	Olympia	10,035
Capitol Park Bldg.	1063 South Capitol Way	Olympia	768
Capitol View II	724 Quince St	Olympia	13,165
Capitol View II	724 Quince St	Olympia	27,297
Capitol View II	724 Quince St	Olympia	232

NAME	ADDRESS	CITY	SQ FT
Capitol View II	724 Quince St	Olympia	13,211
Eastside Plaza	1101 Eastside St	Olympia	8,338
Eastside Plaza	1102 S. Quince St	Olympia	23,990
Eastside Plaza	1112 S. Quince St	Olympia	29,128
Eastside Plaza	1206 S Quince St	Olympia	29,128
Eastside Plaza	1210 Eastside St	Olympia	4,040
Eastside Plaza	1300 S. Quince St	Olympia	48,270
Evergreen Park Dr SW	1400 Evergreen Park Dr SW	Olympia	9,434
Evergreen Park Dr SW	1300 Evergreen Park Dr SW	Olympia	37,107
Evergreen Plaza Building	711 Capitol Wy , Suite 100	Olympia	4,456
Fir Grove Business Park	2409 Pacific Ave SE	Olympia	5,036
Fir Grove Business Park	2411 Pacific Ave SE	Olympia	5,113
Fir Grove Business Park	2413 Pacific Ave SE	Olympia	5,140
Lakeridge	917 Lakeridge Way	Olympia	15,300
Lakeridge	919 Lakeridge Way	Olympia	6,600
Lakeridge	921 Lakeridge Way	Olympia	6,483
Lakeridge	921 Lakeridge Way	Olympia	5,727
McCleary Mansion	111 W 21 st St	Olympia	4,863
McCleary Mansion	111 W 21 st St	Olympia	2,995
Plum St.	617& 623 8 th Ave SE	Olympia	80,100
Plum St.	805 Plum St	Olympia	17,454
Plum St.	805 Plum St	Olympia	25,304
Plum St.	905 Plum St	Olympia	42,403
Plum St.	925 Plum St	Olympia	6,800
Plum St.	925 Plum St	Olympia	33,688
Plum St.	925 Plum St	Olympia	3,884
Plum St.	925 Plum St.	Olympia	1,411
Plum St.	925 Plum St.	Olympia	19,258
Point Plaza	6639 Capitol Blvd	Olympia	23,940
Target Plaza	2725 Harrison Ave NW	Olympia	24,728
Target Plaza	2735 Harrison Ave NW	Olympia	24,975
Union Ave Building	120 E Union Ave	Olympia	125
Union Ave Building	120 E Union Ave	Olympia	1,171
Union Ave Building	120 E Union Ave	Olympia	2,214
3939 Cleveland	3939 Cleveland	Tumwater	21,050
3939 Cleveland	3939 Cleveland	Tumwater	15,057
Airdustrail Park	7171 Cleanwater	Tumwater	8,640
Airdustrail Park	7171 Cleanwater	Tumwater	64,000
Airdustrail Park	7171 Cleanwater Bldg 2	Tumwater	12,000
Airdustrail Park	7171 Cleanwater Bldg 1 & 7	Tumwater	18,400
Airdustrail Park	7171 Cleanwater Bldg 8A	Tumwater	8,320
Airdustrail Park	Airdustrail Park	Tumwater	21,600
Airdustrail Park	Airdustrail Park	Tumwater	6,000
Airdustrail Park	Airdustrail Park	Tumwater	6,000
Airdustrail Park	Airdustrail Park	Tumwater	6,000
Airdustrail Park	Airdustrail Park	Tumwater	6,000
Airdustrail Park	Airdustrail Park	Tumwater	6,000
Airdustrail Park	Airdustrail Park	Tumwater	6,000
Airdustrail Park	Airdustrail Park	Tumwater	4,000
Cleveland Plaza	317 Cleveland Ave	Tumwater	6,855
Cleveland Plaza	321 Cleveland Ave	Tumwater	2,622
Cleveland Plaza	321 Cleveland Ave	Tumwater	3,133
Point Plaza	6639 Capitol Blvd	Tumwater	23,940
Point Plaza	6737 Capitol Blvd	Tumwater	49,984

Leases by State Agencies

AGENCY	SQ FT	NAME	CITY
Office of Administrator for the Courts	29,128	Eastside Plaza	Olympia
Office of Administrator for the Courts	4,040	Eastside Plaza	Olympia
Office of Administrator for the Courts	4,456	Evergreen Plaza Building	Olympia
Office of the Secretary of State	125	Union Ave Building	Olympia
Office of the Secretary of State	1,171	Union Ave Building	Olympia
Office of the Secretary of State	2,214	Union Ave Building	Olympia
Office of Attorney General	5,718	Rowe Six	Lacey
Office of Attorney General	7,989	Rowe Six	Lacey
Office of Attorney General	21,055	Rowe Six	Lacey
Office of Attorney General	33,345	Woodland Square	Lacey
Office of Attorney General	33,269	Woodland Square	Lacey
Office of Attorney General	12,001	Capitol Court	Olympia
Office of Attorney General	42,403	Plum St.	Olympia
Community, Trade, and Economic Development	4,054	Lacey Financial Plaza Building	Lacey
Community, Trade, and Economic Development	4,054	Lacey Financial Plaza Building	Lacey
Community, Trade, and Economic Development	4,863	McCleary Mansion	Olympia
Community, Trade, and Economic Development	3,884	Plum St.	Olympia
Office of Financial Management	433	Capital Park Building	Olympia
Office of Financial Management	768	Capitol Park Bldg.	Olympia
Office of Financial Management	23,940	Point Plaza	Olympia
Office of Administrative Hearings	6,317	Bristol Court	Olympia
Office of Administrative Hearings	6,600	Lakeridge	Olympia
Office of Administrative Hearings	6,483	Lakeridge	Olympia
Department of Revenue	9,893	Arab Rd.	Olympia
Department of Revenue	5,036	Fir Grove Business Park	Olympia
Department of Revenue	24,975	Target Plaza	Olympia
Department of Information Services	11,997	Market Square	Lacey
Department of Information Services	3,861	Rowe Six	Lacey
Department of Information Services	24,878	1110 S. Jefferson St	Olympia
Office of Insurance Commissioner	5,694	Lacey Financial Plaza Building	Lacey
Office of Insurance Commissioner	9,126	Rowe Six	Lacey
Office of Insurance Commissioner	9,300	Rowe Six	Lacey
Utilities and Transportation Commission	9,434	Evergreen Park Dr SW	Olympia
Utilities and Transportation Commission	37,107	Evergreen Park Dr SW	Olympia
Washington State Patrol	15,526	Woodland Square	Lacey
Washington State Patrol	23,789	3000 Pacific Ave	Olympia
Washington State Patrol	6,855	Cleveland Plaza	Tumwater
Washington State Patrol	2,622	Cleveland Plaza	Tumwater
Washington State Patrol	3,133	Cleveland Plaza	Tumwater
Department of Labor and Industries	6,900	Arab Rd.	Olympia
Department of Labor and Industries	13,165	Capitol View II	Olympia
Department of Labor and Industries	17,454	Plum St.	Olympia
Department of Licensing	5,746	Woodland Square	Lacey
Department of Licensing	20,221	Black Lake Bldg	Olympia
Department of Licensing	71,832	Building 2 & Building 1	Olympia
Department of Licensing	17,902	Bristol Court	Olympia
Department of Social and Health Services	54,788	4450 10th Ave SE	Lacey
Department of Social and Health Services	54,788	4450 10th Ave SE	Lacey
Department of Social and Health Services	7,070	Market Square	Lacey
Department of Social and Health Services	52,665	Woodland Square	Lacey

Agency	SQ FT	NAME	CITY
Department of Social and Health Services	4,900	7240 Martin Way	Olympia
Department of Social and Health Services	3,099	7240 Martin Way	Olympia
Department of Social and Health Services	27,297	Capitol View II	Olympia
Department of Social and Health Services	6,800	Plum St.	Olympia
Department of Social and Health Services	80,100	Plum St.	Olympia
Department of Social and Health Services	33,688	Plum St.	Olympia
Department of Social and Health Services	25,304	Plum St.	Olympia
Department of Social and Health Services	8,640	Airdustral Park	Tumwater
Department of Social and Health Services	49,984	Point Plaza	Tumwater
Department of Health	19,500	1110 S. Jefferson St	Olympia
Department of Health	44,393	3000 Pacific Ave	Olympia
Department of Health	8,338	Eastside Plaza	Olympia
Department of Health	23,990	Eastside Plaza	Olympia
Department of Health	29,128	Eastside Plaza	Olympia
Department of Health	48,270	Eastside Plaza	Olympia
Department of Health	5,140	Fir Grove Business Park	Olympia
Department of Health	5,113	Fir Grove Business Park	Olympia
Department of Health	24,728	Target Plaza	Olympia
Department of Health	12,000	Airdustral Park	Tumwater
Department of Health	18,400	Airdustral Park	Tumwater
Department of Health	21,600	Airdustral Park	Tumwater
Department of Health	6,000	Airdustral Park	Tumwater
Department of Health	6,000	Airdustral Park	Tumwater
Department of Health	6,000	Airdustral Park	Tumwater
Department of Health	6,000	Airdustral Park	Tumwater
Department of Health	6,000	Airdustral Park	Tumwater
Department of Health	6,000	Airdustral Park	Tumwater
Department of Health	8,320	Airdustral Park	Tumwater
Department of Health	4,000	Airdustral Park	Tumwater
Department of Health	64,000	Airdustral Park	Tumwater
Washington State University	1,411	Plum St.	Olympia
Washington State University	19,258	Plum St.	Olympia
Department of Transportation	6,667	Market Square	Lacey
Department of Transportation	6,317	Bristol Court	Olympia
Department of Transportation	232	Capitol View II	Olympia
Department of Transportation	13,211	Capitol View II	Olympia
Department of Transportation	5,727	Lakeridge	Olympia
Department of Transportation	2,995	McCleary Mansion	Olympia
Department of Transportation	23,940	Point Plaza	Tumwater
Office of Attorney General	49,094	Capitol Court	Olympia
Department of Agriculture	15,057	3939 Cleveland	Tumwater
Employment Security Department	2,525	Lacey Financial Plaza Building	Lacey
Employment Security Department	8,600	6 th Ave Center	Lacey
Employment Security Department	7,569	Woodland Square	Lacey
Employment Security Department	68,574	Woodland Square	Lacey
Employment Security Department	10,035	Capitol Park Building	Olympia

It is evident that fragmentation of agency programs is significant and that some economy in scale is missing. This data also suggests that there are opportunities for consolidation within the existing lease structures. This preliminary conclusion will need follow-up regarding the specific operational and programmatic needs of the agencies concerned.

There are four basic management strategies that might be employed to achieve greater space consolidation:

1. **Initiate new development projects and then backfill strategically**

Projects such as the Department of Retirement Systems lease development or the two new state developed facilities that are part of the East Campus Plus project are examples of this approach.

2. **Exploit market-initiated office space vacancies**

When appropriate office space becomes vacant, rather than simply filling the space on a first come basis, reserve these opportunities for agencies to consolidate. Examples include the Capitol Plaza Building and the recently vacated Sunset Life Building.

3. **Exploit agency-initiated office space vacancies**

When an agency moves from a location, the vacated space might be suitable for another state tenant. If there are other state agencies at the site, coordination among them regarding disbursed offices can help facilitate consolidation.

4. **Space swaps**

Some agencies, occupying multiple sites, share sites with other agencies occupying multiple sites. It may be feasible to facilitate space swaps whereby consolidation advantages occur, at least for one of the multiple site agencies.

One Conceptual Consolidation/Backfill Scenario

If Department of Health (DOH) were able to consolidate from its 21 office buildings at 4 locations, they would vacate space in the Eastside Plaza Buildings. This would, in turn, permit the state to consolidate a number of smaller agencies by backfilling. *(Note: There has been no discussion with any of the agencies mentioned below; the example is illustrative only.)*

For example, the Office of Administrator for the Courts (OAC) could move from the Evergreen Plaza Building (4,456 square feet) and occupy a portion of the Eastside Plaza Building. The Office of Insurance Commissioner (OIC) currently occupies space in the Insurance Building plus 24,120 square feet in three leased buildings. Again, the OIC could backfill 23,990 square feet of the vacated Eastside Plaza Buildings. The Office of Administrative Hearings (OAH) currently occupies 19,400 square feet in three separate buildings. OAH could backfill approximately 20,000 square feet in Eastside Plaza.

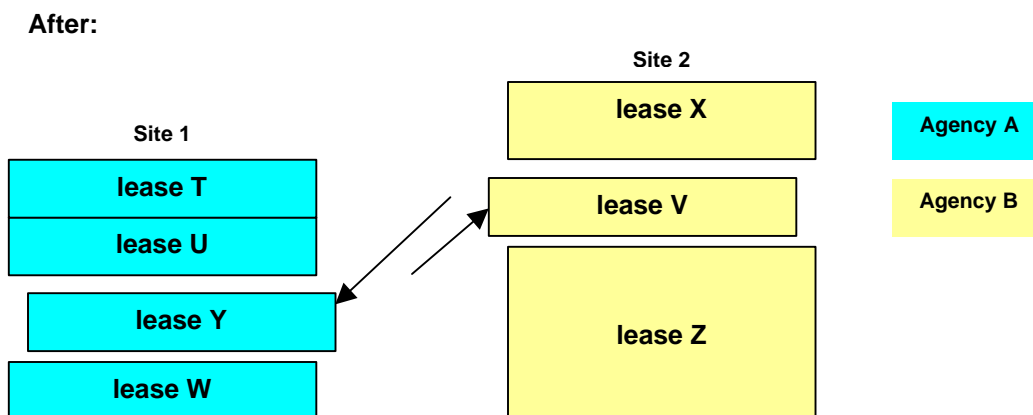
An Example of Space Swapping

Another consolidation technique would entail swapping currently leased space of like size where two agencies occupy four offices in the same two locations (e.g., two agency offices in each location). Again, the issues of customer service, location and operational requirements are of prime importance; however, this arrangement indicates potential consolidation opportunities of this type. This approach would substantially streamline agency operations *and* result in less space.

For example, assume two agencies (A and B) occupy two sites (1 and 2) together. At each site the agencies have leased space as follows:



Under this scenario, if space requirements and customer service location works out, agency B swaps the lease "v" space with A for the lease "y" space, thereby achieving greater consolidation of both agency operations.



Facility Costs and Standards

FACILITY COSTS AND STANDARDS

JLARC Staff Memo on Use of Lease vs. Ownership Model



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January 25, 2000

TO: Senator Valoria Loveland
Chair, Senate Ways and Means Committee
Senator Al Bauer
Vice Chair, Senate Ways and Means Committee and
Chair, Capital Budget Subcommittee
Senator Lisa Brown
Vice Chair, Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

Representative Gary Alexander
Co-Chair, House Capital Budget Committee
Representative Ed Murray
Co-Chair, House Capital Budget Committee
Members of the House Capital Budget Committee

FROM: Tom Sykes, Legislative Auditor
Bob Thomas, Principal Management Auditor/Supervisor

SUBJECT: JLARC Model as a Tool for Making Capital Budget Decisions

Background. Recently, the "JLARC Model" has been mentioned with some frequency in discussions of capital budget issues, as well as in discussions about ownership and leasing options. This memo outlines information to keep in mind as the "JLARC Model" is mentioned.

JLARC Model. In 1995, the Joint Legislative Audit and Review Committee (JLARC) completed a performance audit entitled: *Capital Planning and Budgeting: Study of Leasing Versus Ownership Costs*. A life-cycle cost analysis model, the "JLARC Model," was one outcome of that audit and is now used as an analytic tool in the development of the Governor's Proposed Capital Budget.

Recently, the JLARC Model has been discussed extensively in the context of Thurston County Lease and Space Planning. In its Report #3 – Health, Transportation Agencies, and Legislative Building Project Summaries, the Department of General Administration described the JLARC Model in detail, and explained how it can be used in the analysis of capital alternatives.

We at JLARC are very pleased that the JLARC Model is serving its intended purpose. We have also taken note that the Department of General Administration has been responsive to audit findings and recommendations, and has built upon and improved what was already becoming, back in 1995, a rigorous and consistent method of comparing capital alternatives.

JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

January 25, 2000

Members of the Senate Ways and Means Committee and

House Capital Budget Committee

JLARC Model

Page 2

Using the Model. We want to emphasize three points that should always be kept in mind when using the JLARC Model. Although these points are well known to many, their importance is such that they bear repeating.

First, the model is a tool for providing decision-makers with information on the relevant, quantifiable economic costs associated with alternatives. It is only a tool, however, and decision-makers must still exercise judgment, especially concerning qualitative factors, in making decisions about capital projects.

Second, each capital proposal, or consideration of alternatives, should include a sensitivity analysis so that decision-makers can know how responsive the model outputs are to changes in some of the major assumptions. One such assumption is the discount rate, which, appropriately, has received much discussion recently.

Third, the quality of the model outputs is no better than the quality of the information inputs. Particularly important are assumptions of potential savings resulting from capital investments. For this reason, the 1995 JLARC performance audit included several recommendations that were aimed at ensuring that:

- For each project, the Director of the Office of Financial Management shall review the analysis and attest to its accuracy and completeness. This review should include a sensitivity analysis and should take place before submission of the project to the Legislature for approval; or in the case of long-term leases, prior to the Department of General Administration entering into the lease;
- For project proposals in which estimates of operational savings are included, the agency or agencies that would be responsible for achieving the savings should submit plans, as part of the proposals, for reducing agency spending commensurate with the estimated savings; and
- The Director of the Office of Financial Management should establish a process for tracking and reporting operational savings identified in the agency plans that are included in legislatively approved projects and long-term leases.

We hope this information helps put the JLARC Model into a useful context as you consider capital budget issues. If you have questions concerning the use of the model, please get in touch with us at 786-5171.

cc: Members of the Joint Legislative Audit and Review Committee
Marty Brown, Director, Office of Financial Management
Mike Roberts, Senior Budget Assistant, Office of Financial Management
Marsha Tadano Long, Director, Department of General Administration
Grant Fredericks, Deputy Director, Department of General Administration

A Retrospective Review of State Decision Making on Facility Investments Using the JLARC Lease Versus Ownership Model

Costs are often defined as bad things endured or good things lost. Economists, budget analysts and accountants mean different but related things by the term cost. This has been the subject of much debate within state government in reference to state decision-making regarding buildings. This retrospective review highlights some of those differences and some of the areas that will be addressed as new state leasing and space planning policies are developed.

Economists usually define *cost* as opportunities that are sacrificed when we make a choice. Hence, costs are benefits lost. For economists, costs are prospective and subjective. They are based on the perspective of a decision-maker, not a detached observer. Costs are incurred when decisions are made and are based on foreclosed opportunities. The state's life cycle cost modeling uses some aspects of this opportunity cost modeling to help with facilities decision making. The economic cost portion of the model entail comparisons between status quo and the proposal and the use of a opportunity based discount rate.¹⁶

Budget people, on the other hand, define cost in terms of object and program. They define costs not just in terms of opportunities lost, but also benefits gained. As a practical matter, budget analysts tend to deal with the "public finance" issue by putting the things that can be satisfactorily measured using market prices on the cost side and every thing else on the benefit side of their ledgers. They also measure costs not just at the time of the decision, but over longer horizons. The state's life cycle cost modeling uses some aspects of budget cost analysis to help with facilities decision making. The budget cost portion uses object of expenditure and long term planning horizons for analysis. However, major portions of the budget cost equation have been left out – for instance, the so called "non-quantitative" benefits such as worker health and citizen convenience.

From the accountant's standpoint, costs are defined in terms of resources used up. Costs are retrospective and objective. Accountants define costs in terms of flows. Costs result in a decline in assets or an increase in liabilities. The state's life cycle cost modeling uses some aspects of accounting costs in its analysis of the facilities decision. For instance, construction costs are detailed and operating costs are based on historic trends.

Fortunately, economists, budget analysts and accountants agree that, for want of a better yardstick, costs should be measured in dollars. Second, they agree that it is meaningless to talk about cost without identifying an object of cost. Third, they agree that *standing* matters. Cost necessarily means cost to somebody—although they often disagree on *who* somebody should be.¹⁷ Ultimately all costs (and benefits) are borne by organizations or individuals, however for the state the definition of *who* is a major area of tension. Finally, there is some agreement that by measuring costs in units of present value we create a better frame of reference for present review.

Perspectives on Cost

Unfortunately, actual accounting-type costs can only be measured after the fact. This means that cost analysts looking at prospective facilities decisions must estimate the costs of the alternatives under consideration. In some cases, measured cost is a reliable predictor of future costs; in other cases it is not.

The crux of this argument is what led to the use of the JLARC model. The costs and benefits of the East Campus Plus program had been reported to the Legislature. The Legislature found that many of the savings (benefits) that had been identified prior to the project weren't forthcoming in the budget and that some of the costs were greater than originally identified when the project was started. The JLARC model was developed in an effort to standardize the information and processes of analysis of future projects so such surprises would be less likely to occur.

However, retrospective looks over short time frames do not necessarily reflect reality any more than the original prospective view. For instance, the original retrospective analysis of the East Campus Plus project was critical of the lack of substantive operational savings – especially related to staff. However, the original prospective look and the subsequent analysis both missed the recent substantial lease rate increases in the Thurston County area. Unfortunately, by focusing on only one item (such as salary savings) in isolation and with limited time perspective can lead to just as flawed a decision as an original analysis.

¹⁶ In practice, where market prices adequately reflect willingness and ability to pay, the capital value concept of cost is a good proxy for opportunity cost. If someone were willing to pay more for the goods consumed than market prices, they would have done so.

¹⁷ While each field agrees that standing is necessary, there is major disagreement over who has standing.

Another example relates to an office building proposed for Spokane. That project was not approved by the Legislature based on an evaluation of prospective least rate increases. General Administration had estimated that rental rates would escalate at the estimated 3.5% annually compounded rate after an initial 27.6% 5-year renewal escalation. The Government Builders and Lessors Association (GBOLA) indicated that the rate increases would average only 2% per year compounded annually. A retrospective look five years after that decision point indicates that the rate increases have averaged 3.73% annually compounded after the initial 26.43% increase on the JLARC selected leases. The following is comparison of estimates at the time v. the actual results. More detail on this analysis can be found in Appendix I, Retrospective Look at Lease Renewal Rates – Spokane Leases.

Comparison of Spokane Assumptions in 1995 v. Actual Results to 5/2000

	GBOLA	GA	Actual	Diff. GBOLA v. Actual	Diff. GA v. Actual
Initial Increase on 5-Year Renewal	11.6%	27.6%	26.4%	14.9%	-1.2%
Average Annually Compounded Increase since initial renewal - Spokane	2.0%	3.5%	3.7%	1.7%	0.2%
Average Annual lease increase adjusted for Inflation	-1.0%	0.5%	2.0%	3.0%	1.5%

But, even this retrospective look may be flawed. What will happen to rates during the next 15 to 20 years? Maybe lease rates will stabilize - and will in fact average 2% per year over the entire 20 years. Unfortunately, we won't be able to measure the impact and worth of the model for a number of years.

However, one GA proposal does present a clearer picture. In 1997 GA submitted a budget request to build a Seattle co-location facility. This project was for a 140,000 rentable square feet (RSF) office building in downtown Seattle. The status quo lease rate at the time was \$18.50 per RSF (1996 rate). The model indicated a Net Present Value savings of \$4,267,000 if the COP project was financed. That forecast was based on an estimated 3% increase in lease rates. At a rate of increase of 3% compounded annually current 5-year renewals would be approximately \$21.00 per RSF. Our recent renewal experience, at about \$27.00 per RSF, indicates that the rate of increase is running about 9.5% per year. These rates of increase are unlikely to continue for a full 25 years. But even if those rates stabilized back down to about 3.0% per year the NPV savings of this project would have been about \$10 million with a cash savings of about \$60 million over a 25 year planning horizon. Unfortunately, this project which cost about \$28,125,000 (\$200 per RSF) in 1997 would cost about \$40 million now because of the escalating cost of land and the low office vacancy rate in the Seattle area. Unfortunately, we can not go backward on our decisions. Equally unfortunate is the fact that decisions seem to inordinately rely on financial forecasts - forecasts which are subject to changing realities over time.

In the state of Washington, the life cycle cost model has been a facilities development decision-making tool since 1996. But should life cycle cost modeling be a decision *facilitating*, a decision *influencing*, or a *deciding* tool? Disturbingly, it appears that the JLARC model has become a screen through which all development projects must pass to be considered – so in a way, it has become a *deciding* tool. That fact combined with a conservative series of assumptions (e.g., residual value calculated on construction costs + land value only) has led to the rejection of some operationally beneficial projects.

Some have proposed sensitivity analysis methods (a recommended part of JLARC modeling) as the solution. However, thus far the worst of the generated scenarios have been used to beat down proposals for new development.

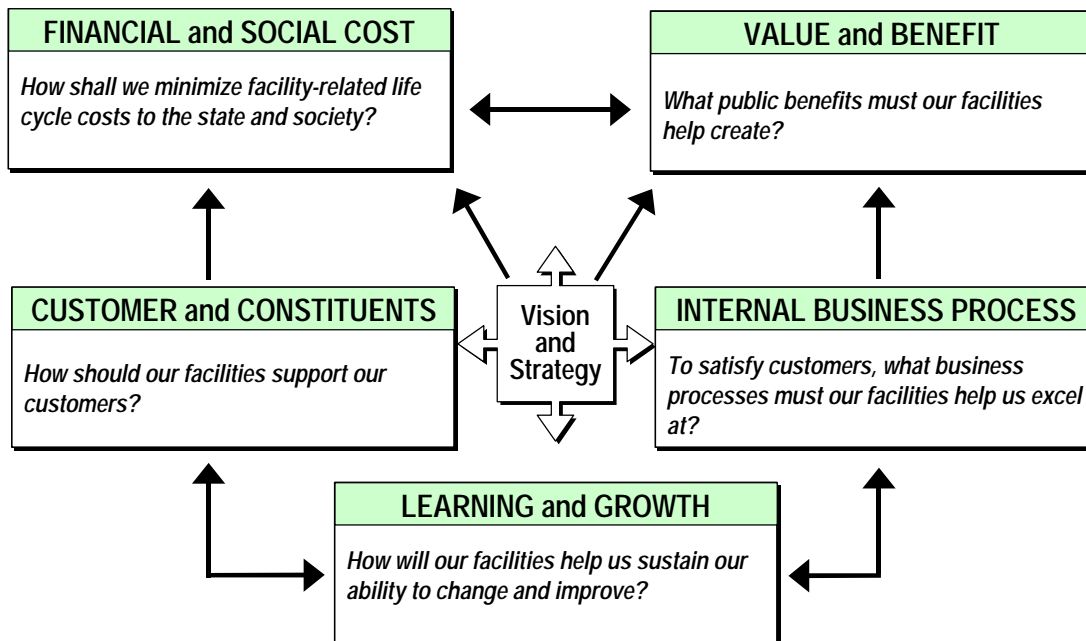
If the only purpose of the life cycle cost scenarios is to find an alternative that shows "the project won't work," a wide range of scenarios won't be proposed. Likewise, when the assumptions are continually pressed to be more conservatively applied (e.g., higher discount rates), it forces the life cycle cost model to a ridiculous extreme.

Other factors that are becoming important are the limitations on bond debt and possible limits on the use of Certificates of Participation. In the future, both these limitations will likely result in otherwise "cost beneficial" projects being rejected for lack of funds.

If the intent of the life cycle cost analysis processes is to depress the development of state-owned properties it is having the desired effect. If the purpose is to provide decision-makers with decision facilitating tools it has partly failed.

The Balanced Scorecard Approach

To achieve this vision means producing results in these five areas...



Recent research indicates that sole reliance on financial information for decision making can lead to flawed decisions. The state of Washington has adopted a modified Balance Scorecard approach to management decision making. The life cycle model is only one factor in support of a balanced scorecard approach to facilities decision making (see Appendix D for a joint presentation, made by General Administration, to the National Association of State Directors of Administration and General Services and the National Association of State Purchasing Officials for more explanation of this issue). Factors identified include:

Value and Benefit

- Public benefits created

Customer & Constituent

- Support to customers and the public
- Accessibility
- Supplier access
- Statement of ownership

Internal Processes

- Work processes
- Organizational structure

Learning & Growth

- How facilities help us change and improve

Financial & Social Cost

- Capital cost
- Budget impact
- Cash flow
- Life cycle cost
- Tax implications
- Impact on debt

One issue, and one of the factors that led to the development of the JLARC model, is how to quantify generally non quantifiable characteristics. The JLARC model attempted to quantify what could be quantified and then leave the non-quantified items as factors to be weighed independently by the decision-maker. Unfortunately, many of the non-quantified items have been dropped as part of decision-making.

Another difficulty is that some items that are quantified have potentially multiple perspectives. For instance, JLARC preferred that the *reduction* in property tax collections due to state ownership of buildings rather than leasing should be included in the model. However, the *reduction* in property tax collections is economically limited.

There is only a limited *reduction* in tax collections since the burden of the tax collections is shifted to other taxpayers away from the lessor space (and only then if the lessor tears down or ends up not building a structure).

Other questions include:

- Should the state only consider the state share or all jurisdiction collections?
- Should the JLARC analysis consider the sales tax revenue generated by the construction project for the state and other governmental entities?

These issues, part of *the Tax Implications* analysis of financial and social costs, will need to be structured and addressed if the balanced scorecard approach is fully adopted.

Some items will be quantifiable (e.g., sale tax receipts), some items will be somewhat quantifiable (e.g., property tax shifts) and some items will be almost impossible to quantify (e.g., tax fairness).

Any decision facilitating tool that factors in the balanced scorecard criteria will include some allowances for non-quantified criteria. But, how should quantifiable versus non-quantifiable criteria be compared? What should be their relative weights in our decision making? These issues along with criteria detail will need to be addressed in a later master planning process.

The state of Washington took the first step toward quality facilities decision making when the JLARC model was adopted in 1995. Unfortunately, the JLARC model has become the primary decision-making tool with regard to ownership v. leasing. Unfortunately, the focus on the cost of ownership v. leasing has resulted in otherwise worthwhile projects being shelved. A change in the application of the modeling process or in the decision-making process to look at other "balanced" information is needed.

Finally, the state first should decide about space, then it should focus on ownership. If our initial focus shifted to decisions first about work and second what spaces were needed to support that work, then the ownership issue could follow. Ownership is only one criterion to be evaluated. The use of a more balanced evaluation, similar to a balanced scorecard, can result in improved facilities decision making. A "balanced" model of decision-making will change the dynamic of life cycle cost modeling to one which is decision supporting and facilitating.

COST STANDARDS AND ESTIMATING

The cost of building and operating facilities is one that perplexes many government officials. How much to budget for a construction project, how to pay for it, and how to fund hourly operations are questions that often are raised prior to budget development.

General Administration has developed a rule of thumb type measurement that can be used early in the decision-making process regarding new buildings. This tool will not substitute for a formal C-100 or predesign. The C-100 and the predesign address specific issues and costs and provides a much more accurate picture of the building costs than does the tool introduced here. But, often decision-makers want information prior to the initiation of a C-100 or predesign. This tool will provide such early information.

In Report #2 (November 1999) we first introduced the Unit Costs for New State Office Buildings (pp. 30-32). That report showed "preliminary project costs" as estimated at \$130 per gross square foot with "soft" costs of 37%.

The "preliminary project costs" were related to facilities "hard" costs defined as acquisition and construction costs. The \$130 per gross square foot did not, however, include the cost of land acquisition. More recent information is that the January 2000 "hard cost" (excluding acquisition costs) is:

"Hard" Costs (per gross square feet)	State Development	Private Development
	<u>2000 Dollars</u>	<u>2000 Dollars</u>
Acquisition Costs		
Purchase/Lease Cost	Cost not available for these items since they vary depending on location.	
Appraisal and Closing Costs		
right-of-way Costs		
Demolition		
Construction Contracts		
Site work	\$13.50	\$13.50
Building construction	\$124.00	\$124.00
Sewer, water connection fees	<u>\$0.70</u>	<u>\$0.70</u>
Sub Total "Hard Costs" (excluding Acquisition)	\$138.20	\$138.20

In addition, Report #2 described the characteristics of "soft cost" and stated that they would be approximately 37% of the "total project cost." Even though we reported that "soft costs" include financing charges (placement cost and interim financing) and furnishings and equipment (if applicable to the project) the 37% noted in Report #2 did not anticipate these costs. The following is the latest breakout of the gross square foot cost for "soft costs" excluding and including financing charges and furnishings and equipment:

"Soft" Costs (per gross square feet)

	State Development <u>2000 Dollars</u>	Private Development <u>2000 Dollars</u>
Consultant services		
Predesign Consultant Services	\$0.90	\$0.70
A/E Basic Design Services	\$7.50	\$5.30
A/E Extra Services/Reimbursables	\$1.20	\$0.90
Other Services	\$5.00	\$4.30
Design Services Contingency	\$0.70	\$0.50
Construction contingency		
Management reserve	\$6.90	\$6.90
Allowance for change orders	\$6.90	\$6.90
Sales tax on construction	\$12.20	\$12.20
Artwork	\$0.70	\$0.00
Other costs (excluding financing costs)		
Moving costs	\$1.20	\$1.20
Utilities/temporary facilities/security services	\$0.00	\$0.00
Master use permits	\$0.00	\$0.00
Building permits	\$0.50	\$0.50
Performance & Payment Bonds	\$1.00	\$1.00
Claims Review Board	\$0.10	\$0.10
Contract administration		
Agency	\$2.70	\$1.40
Consultant services	\$9.50	\$4.80
Related project costs		
Mitigation	\$4.00	\$4.00
Developer fee	\$0.00	\$9.40
Soft Costs excluding equipment & financing costs	\$61.00	\$60.10
Equipment costs		
Fixed	\$0.40	\$0.40
Movable equipment	\$0.60	\$0.60
Furnishings	\$13.40	\$13.40
Information technology	\$0.60	\$0.60
Sales Tax	\$1.20	\$1.20
Financing costs	\$16.40	\$16.40
Soft Costs including equipment & financing costs	\$93.60	\$92.70

Thus, the total cost of the new state office building standard (excluding acquisition costs but including equipment and financing costs) will be:

	State Development <u>2000 Dollars</u>	Private Development <u>2000 Dollars</u>
Hard Costs (excluding Acquisition)	\$138.20	\$138.20
Soft Costs including equipment & financing costs	\$93.60	\$92.70
Total Cost Per Gross Square Foot	\$231.80	\$230.90

In addition, an analysis of operating costs was conducted based on 1998 BOMA (Building Owners and Managers Association) experience reports and 1995 information generated as part of the JLARC process. The following are a preliminary estimate of the 2000 operating costs for the new state standard building (per gross square foot):

"Operating" Costs (per gross square feet)	State Development <u>2000 Dollars</u>	Private Development <u>2000 Dollars</u>
Utilities	\$1.10	\$1.10
Custodial	\$1.10	\$0.80
Maintenance	\$1.20	\$1.10
Security	\$0.50	\$0.50
Liability & Hazard Insurance	\$0.20	\$0.40
Management Fees	\$0.40	\$0.40
Property Taxes	\$0.00	\$1.90
Capital replacement reserve	\$1.50	\$0.50
Annual operating cost	\$6.00	\$6.70

Note: In addition lessors add a factor for their profit. Furthermore, the lease and related operating costs are subject to a negotiation process.

Therefore, all costs related to leasing are not necessarily shown.

Additional analysis of operating costs will be conducted prior to Report #6. An update will detail support for owned and leased buildings will be published at that time.

An estimate of the annual "lease" or "ownership" costs was calculated based on these construction figures, operating cost figures and contract interest rates. That calculation (annual cost per gross square foot) for the year 2002 and beyond is in the following Annual Operating Cost v. Construction Cost Table.

Annual Operating Cost v. Construction Cost Table

An analysis of the annual per rentable square foot cost of differing facility sizes and construction costs

Note: Does not include cost of land. Assumes standard mitigation and land configuration

Note: Does not include cost of furnishings

Borrowing Rate for State.....	6.00%
Borrowing Rate for Developer	9.00%
Future Year Inflation Rate	3.37%
Operating Cost State.....	\$6.32 Includes Repl. Res.
Operating Cost Developer.....	\$7.06 Includes Taxes
Construction Cost Per rsf	\$147.67 Based on 2000 base of \$138.20 per gs
Surface Parking Per Stall	\$2,000.00
Structured Parking Per Stall.....	\$10,000.00

Future Year Adjustments based on OFM Inflation estimates or your estimated higher cost of construction.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Construction Cost per rsf	\$147.67	\$152.65	\$157.79	\$163.11	\$168.60	\$174.29	\$180.16	\$186.23	\$192.51	\$199.00	\$205.70	\$212.63	\$219.80	\$227.21
Operating Cost State	\$7.06	\$7.30	\$7.54	\$7.80	\$8.06	\$8.33	\$8.61	\$8.90	\$9.20	\$9.51	\$9.83	\$10.17	\$10.51	\$10.86
Operating Cost Developer	\$6.32	\$6.53	\$6.75	\$6.98	\$7.22	\$7.46	\$7.71	\$7.97	\$8.24	\$8.52	\$8.80	\$9.10	\$9.41	\$9.72
Surface Parking Per Stall	\$2,000.00	\$2,067.40	\$2,137.07	\$2,209.09	\$2,283.54	\$2,360.49	\$2,440.04	\$2,522.27	\$2,607.27	\$2,695.14	\$2,785.96	\$2,879.85	\$2,976.90	\$3,077.22
Structured Parking Per Stall	\$10,000.00	\$10,337.00	\$10,685.36	\$11,045.45	\$11,417.69	\$11,802.46	\$12,200.20	\$12,611.35	\$13,036.35	\$13,475.68	\$13,929.81	\$14,399.24	\$14,884.50	\$15,386.11
Private Development – With Surface Parking														
sq. ft.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
50,000	\$30.35	\$31.37	\$32.43	\$33.52	\$34.65	\$35.82	\$37.02	\$38.27	\$39.56	\$40.89	\$42.27	\$43.70	\$45.17	\$46.69
75,000	\$30.30	\$31.33	\$32.38	\$33.47	\$34.60	\$35.77	\$36.97	\$38.22	\$39.51	\$40.84	\$42.21	\$43.64	\$45.11	\$46.63
100,000	\$30.29	\$31.31	\$32.37	\$33.46	\$34.59	\$35.75	\$36.96	\$38.20	\$39.49	\$40.82	\$42.20	\$43.62	\$45.09	\$46.61
150,000	\$30.26	\$31.28	\$32.34	\$33.43	\$34.55	\$35.72	\$36.92	\$38.17	\$39.45	\$40.78	\$42.16	\$43.58	\$45.05	\$46.56
200,000	\$30.25	\$31.27	\$32.32	\$33.41	\$34.54	\$35.70	\$36.91	\$38.15	\$39.43	\$40.76	\$42.14	\$43.56	\$45.03	\$46.54
250,000	\$30.22	\$31.24	\$32.29	\$33.38	\$34.51	\$35.67	\$36.87	\$38.11	\$39.40	\$40.73	\$42.10	\$43.52	\$44.98	\$46.50
300,000	\$30.21	\$31.23	\$32.28	\$33.37	\$34.49	\$35.65	\$36.86	\$38.10	\$39.38	\$40.71	\$42.08	\$43.50	\$44.96	\$46.48
400,000	\$30.19	\$31.21	\$32.26	\$33.35	\$34.48	\$35.64	\$36.84	\$38.08	\$39.36	\$40.69	\$42.06	\$43.48	\$44.94	\$46.46
500,000	\$30.18	\$31.20	\$32.25	\$33.34	\$34.46	\$35.62	\$36.82	\$38.06	\$39.35	\$40.67	\$42.04	\$43.46	\$44.92	\$46.44
Private Development – With Structured Parking														
sq. ft.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
50,000	\$34.91	\$32.22	\$33.31	\$34.43	\$35.59	\$36.79	\$38.03	\$39.31	\$40.64	\$42.01	\$43.42	\$44.89	\$46.40	\$47.96
75,000	\$34.88	\$32.19	\$33.27	\$34.40	\$35.55	\$36.75	\$37.99	\$39.27	\$40.60	\$41.96	\$43.38	\$44.84	\$46.35	\$47.91
100,000	\$34.85	\$32.16	\$33.25	\$34.37	\$35.53	\$36.72	\$37.96	\$39.24	\$40.56	\$41.93	\$43.34	\$44.81	\$46.32	\$47.88
150,000	\$34.82	\$32.13	\$33.21	\$34.33	\$35.49	\$36.68	\$37.92	\$39.20	\$40.52	\$41.88	\$43.30	\$44.76	\$46.26	\$47.82
200,000	\$34.79	\$32.10	\$33.19	\$34.30	\$35.46	\$36.66	\$37.89	\$39.17	\$40.49	\$41.85	\$43.26	\$44.72	\$46.23	\$47.79
250,000	\$34.77	\$32.08	\$33.16	\$34.28	\$35.44	\$36.63	\$37.87	\$39.14	\$40.46	\$41.83	\$43.23	\$44.69	\$46.20	\$47.75
300,000	\$34.76	\$32.07	\$33.15	\$34.26	\$35.42	\$36.61	\$37.85	\$39.12	\$40.44	\$41.80	\$43.21	\$44.67	\$46.17	\$47.73
400,000	\$34.73	\$32.04	\$33.12	\$34.24	\$35.39	\$36.59	\$37.82	\$39.09	\$40.41	\$41.77	\$43.18	\$44.63	\$46.14	\$47.69
500,000	\$34.72	\$32.02	\$33.10	\$34.22	\$35.37	\$36.56	\$37.80	\$39.07	\$40.39	\$41.75	\$43.15	\$44.61	\$46.11	\$47.66
State Development – With Surface Parking														
sq. ft.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
50,000	\$24.49	\$25.32	\$26.17	\$27.05	\$27.96	\$28.91	\$29.88	\$30.89	\$31.93	\$33.00	\$34.12	\$35.27	\$36.45	\$37.68
75,000	\$24.43	\$25.25	\$26.10	\$26.98	\$27.89	\$28.83	\$29.80	\$30.81	\$31.85	\$32.92	\$34.03	\$35.17	\$36.36	\$37.59
100,000	\$24.41	\$25.23	\$26.08	\$26.96	\$27.87	\$28.81	\$29.78	\$30.78	\$31.82	\$32.89	\$34.00	\$35.14	\$36.33	\$37.55
150,000	\$24.36	\$25.19	\$26.03	\$26.91	\$27.82	\$28.76	\$29.73	\$30.73	\$31.76	\$32.83	\$33.94	\$35.08	\$36.27	\$37.49
200,000	\$24.34	\$25.16	\$26.01	\$26.89	\$27.79	\$28.73	\$29.70	\$30.70	\$31.73	\$32.80	\$33.91	\$35.05	\$36.23	\$37.46
250,000	\$24.30	\$25.12	\$25.97	\$26.84	\$27.75	\$28.68	\$29.65	\$30.65	\$31.68	\$32.75	\$33.85	\$34.99	\$36.17	\$37.39
300,000	\$24.28	\$25.10	\$25.94	\$26.82	\$27.72	\$28.66	\$29.62	\$30.62	\$31.65	\$32.72	\$33.82	\$34.96	\$36.14	\$37.36
400,000	\$24.32	\$25.14	\$25.99	\$26.87	\$27.77	\$28.71	\$29.67	\$30.67	\$31.71	\$32.78	\$33.88	\$35.02	\$36.20	\$37.42
500,000	\$24.24	\$25.05	\$25.90	\$26.77	\$27.67	\$28.61	\$29.57	\$30.57	\$31.60	\$32.66	\$33.76	\$34.90	\$36.08	\$37.29
State Development – With Structured Parking														
sq. ft.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
50,000	\$28.79	\$29.76	\$30.76	\$31.79	\$32.87	\$33.97	\$35.12	\$36.30	\$37.53	\$38.79	\$40.10	\$41.45	\$42.85	\$44.29
75,000	\$28.73	\$29.70	\$30.70	\$31.74	\$32.81	\$33.91	\$35.06	\$36.24	\$37.46	\$38.72	\$40.03	\$41.38	\$42.77	\$44.21
100,000	\$28.70	\$29.66	\$30.66	\$31.70	\$32.77	\$33.87	\$35.01	\$36.19	\$37.41	\$38.67	\$39.98	\$41.32	\$42.72	\$44.15
150,000	\$28.64	\$29.61	\$30.61	\$31.64	\$32.71	\$33.81	\$34.95	\$36.12	\$37.34	\$38.60	\$39.90	\$41.25	\$42.64	\$44.07
200,000	\$28.61	\$29.57	\$30.57	\$31.60	\$32.66	\$33.76	\$34.90	\$36.08	\$37.29	\$38.55	\$39.85	\$41.19	\$42.58	\$44.01
250,000	\$28.58	\$29.54	\$30.54	\$31.56	\$32.63	\$33.73	\$34.86	\$36.04	\$37.25	\$38.51	\$39.81	\$41.15	\$42.53	\$43.97
300,000	\$28.55	\$29.51	\$30.51	\$31.54	\$32.60	\$33.70	\$34.83	\$36.01	\$37.22	\$38.48	\$39.77	\$41.11	\$42.50	\$43.93
400,000	\$28.51	\$29.48	\$30.47	\$31.50	\$32.56	\$33.65	\$34.79	\$35.96	\$37.17	\$38.43	\$39.72	\$41.06	\$42.44	\$43.87
500,000	\$28.49	\$29.45	\$30.44	\$31.46	\$32.52	\$33.62	\$34.75	\$35.92	\$37.13	\$38.39	\$39.68	\$41.02	\$42.40	\$43.83

TRANSPORTATION DEMAND MANAGEMENT STANDARDS FOR STATE FACILITIES

Introduction

Outlined in the prior section on location analysis and evaluation is a list of criteria as to how a potential site should be evaluated as suitable for leasing as a state facility. Once such a site is chosen, the following standards should be applied to ensure that alternative commute modes are maximized.

Commute Trip Reduction Requirements

If the site becomes an “affected worksite” under the Commute Trip Reduction Law (RCW 70.94.521-551), the following elements are required of the employer:

- Appointment of an employee transportation coordinator
- Regular distribution of information on commute alternatives to employees at least once a year.
- Development, approval and implementation of a CTR program designed to achieve the applicable CTR goals
- Submission of an annual progress report to the local authority.
- Maintenance of records documenting CTR efforts for at least two years
- Survey of employees to measure progress to the applicable CTR goals every two years.

In addition, the local authority may add other requirements, such as requiring a percentage of the parking spaces to be reserved for carpooling¹⁸ or vanpooling vehicles or the installation of bike racks for bicycle storage. In addition, many local governments require specific development standards that support transportation options, such as pedestrian and transit-friendly street structure and site and building design.

The State Government CTR Plan provides guidelines and suggestions on the development of CTR plans for state agencies as well as for supporting policies and procedures, such as:

- Compressed Work Week
- Teleworking
- Guaranteed Ride Home
- Subsidies and Incentives
- Parking

State Office Facility Site Standards

The State has an interest in ensuring that its leased facilities as well as state-owned facilities support the development and implementation of transportation demand management and commute trip reduction efforts, both in site design terms and programmatic terms. The following standards will be applied to all state office facilities.

Land Use Strategies (Developer provided)

1. Site design

Transit-oriented and pedestrian friendly design, with design considerations specifically geared toward encouraging walking and transit use, can effectively foster alternative mode choices.¹⁹

- Orient building²⁰ toward public transit access and not parking lots—it must be as conveniently situated for public transit as for auto.
- Orient building close to sidewalks
- Construct entrances at the front and rear to accommodate both auto-users and transit users and pedestrians and bicyclists.
- Ensure access from sidewalk to building entrance is close and easy

¹⁸ Municipal Research and Services Center of Washington, “*Creating Transit Supportive Regulations: A Compendium of Codes, Standards and Guidelines*.” King County Department of Metropolitan Services and WS Department of Transportation. August 1995. The report mentions King County and Eugene, OR as requiring a specific percentage of rideshare spaces.

¹⁹ 1000 Friends of Oregon. “*The Pedestrian Environment*” LUTRAQ, Volume 4A. 1993.

²⁰ 1000 Friends of Oregon. “*Building Orientation*” LUTRAQ Volume 4B. 1994. This report indicates that the combined share of transit, walking, and bicycling may be tripled by appropriate changes to orientation and setbacks.

- Incorporate bus stop into site design and where appropriate provide covered shelter for bus riders
- Allow for pedestrian access/connection to neighboring activities
- Situate parking at rear or side of building so that transit users, bicyclists and pedestrians do not have to walk through parking lot

2. Parking Lot Design

Parking lots should be designed not only to facilitate efficient vehicle circulation, but also permit smooth pedestrian and bicycle circulation on and around the site in a pedestrian friendly environment. Parking lot design should also recognize that once people step out of their autos they are pedestrians.

- Locate the employee parking area to the side or rear of the building, ensuring direct, convenient and safe access for bus riders and pedestrians from the street to the building entrance.
- Establish clearly defined walkways within parking lots
- Ensure that parking lots have the lighting capability of providing adequate illumination for security and safety at a pedestrian scale
- Configure and design parking lot to reduce the visibility of autos and allow features of greater pedestrian interest to dominate the streetscape.
- Reduce parking lot size by breaking up parking areas²¹
- Install interior landscaping
- Install perimeter landscaping and screening, allowing for pedestrian access.

3. Facility Amenities

Many tangible enhancements can be made to a building/facility to encourage the use of alternative commute modes by employees. Some of these are facilities or amenities that provide direct support for an alternative mode (such as bicycle facilities), others are more indirect, providing amenities that are significant trip generators (such as daycare or dry-cleaning) on-site. With access to these facilities at “trip –end”, the need for an employee to undertake trip chains is reduced.

- Provide a well-lighted, secure and weather protected area for bicycles²² within the building or covered parking structure and/or within 50 feet of an entrance to the building
- Install clothes lockers
- Install showers
- Provide for on or near-site food service
- Provide for on or near-site services²³ such as dry-cleaning, postal services, banking services (ATM)
- Provide on-site “commuter information center/display”

Programmatic Strategies (provided by the tenant/employer; supported by lessor/developer)

1. Management Support

- Provide strong, visible and assertive management support²⁴ with clear policies and procedures that support alternative commute modes
- Support the use of alternative work schedules, such as teleworking and compressed work weeks
- Provide an employee transportation coordinator on-site, with the time and resources assigned and supported by management.

²¹ “Creating Community Choices Through Zoning: A Guide for Snohomish County Communities.” Snohomish County Transportation Authority. October, 1994.

²² City of Eugene Bicycle Parking Standards. A secure location is defined as one in which the bicycle is clearly visible from employee work areas, or in which the bicycle parking is provided within a lockable room, lockable bicycle enclosure, or a bicycle locker. Bicycle parking provided in outdoor locations shall not be farther than the closest employee auto parking (excluding disabled spaces).

²³ On-site provision of services that an employee needs to access during the day can help alleviate the need for personal autos for trips during lunch or after work.

²⁴ Employees are more likely to participate in trip reduction programs if they receive direct encouragement from management. Ali Modarres, “Evaluating Employer-based Transportation Demand Management Programs”, Transportation Research Board #27A. N.4. 1993. pp291-297.

2. Information and Promotion

- Make information about commute alternatives regularly available.
- Use special promotional material
- Provide periodic rewards to alternative mode users.

3. Supporting Services

- Provide ridematching services, both in house and a connection to the ridematch system operated by the local public transit provider
- Provide a guaranteed ride home service, whether in-house or externally provided.

4. Financial Incentives

- Provide financial incentives/subsidies to alternative mode users,²⁵ minimum of \$2.00 per day.²⁶

5. Parking Management Program

- Restrict parking capacity to 22-36 percent fewer spaces than employees²⁷
- Use non-assigned shared/zoned parking for entire building complex²⁸
- Provide preferential parking for carpools and vanpools (depending upon whether it is a customer service operation or administrative, the ratio should be between 10% and 15% of total parking available)
- Adopt market rate parking fee for employees who drive alone²⁹ (for example, the market rate for Olympia is between \$35.00 and \$45.00, and Lacey is \$25.00 to \$35.00)

The following table indicates some of the potential trip reductions from parking pricing.

Trip Reductions from Daily Parking Charges

	\$1.00	\$2.00	\$3.00	\$4.00
Suburb	6.5%	15.1%	25.3%	36.1%
Suburban center	12.3%	25.1%	37.0%	46.8%
Central business district	17.5%	31.8%	42.6%	50.0%

(Philip Winters and Daniel Rudge, *Commute Alternatives Education Outreach*, NUTI-Center for Urban Transportation Research, 1995, Table 3.3-8)

²⁵ Providing direct financial incentives to those who use alternatives to driving alone can attain a very significant impact. Comsis/ITE, "Implementing Effective Travel Demand Management Measures." 1993; Scott Rutherford et al, "Transportation Demand Management: Case Studies of Medium Size Employers", Transportation Research Record, #1459, 1995. p.15.

²⁶ Based on the most recent data from 1999 CTR Employee Survey results.

²⁷ RCW 43.01.230 requires that state agencies must less only the amount of parking allowed under the local jurisdiction's parking code. A number of recent studies have demonstrated that actual parking demand is far outweighed by parking supply, from 22% to 36%.

²⁸ Assigning employees to a "zone" rather than individually assigned spaces typically allows 20% or more users to park.

Urban Land Institute. 1993; Robert Johnson and Raju Ceerla, "Effects of Land Use Intensification and Auto Pricing Policies on Regional Travel, Emissions, and Fuel Use." 1995. pp3-11.

²⁹ The simplest way to reduce parking demand, and in the process, enhance the attractiveness of alternatives, is to charge employees directly for the privilege of parking. Charging employees for parking typically reduces SOV use to the worksite by 20% to 40%. Donald Shoup, "Employer Paid Parking", Transportation Quarterly. April, 1992. V46. N2.; "Opportunities to Improve Air Quality Through Transportation Parking", Office of Mobile Sources, Environmental Protection Agency. 1997. Table 3-1.

Inventory Of Existing, Planned & Proposed Space (Thurston County – January 1, 2000)

Existing Space:

Name	Location	Owners	Sq Ft	Occup	Tenant(s) for Space	When to be Occupied	City PLA	State PDA	Comments (Impact on Current Office Space)
Former Sunset Life Bldg	3200 Capital Blvd	Private	34,467	N	N	Unknown	Y	N	Building vacant, owner is marketing to lease.
Target Plaza *	2725 Harrison Ave	Private	24,728	Y	N	Unknown	N	N	DOH to vacate 6/30/03 if proposed project is approved. Space located in the retail Target Plaza complex.
Airustrial Bldgs (Simon)	7171 Cleanwater Lane	Private	72,320	Y	N	Unknown	Y	Y	Vacate upon lease expiration if proposed DOH project is approved.
Airustrial Bldgs (Kaufman)	7211 Cleanwater Lane	Private	46,000	Y	N	Unknown	Y	Y	DOH to exercise option to cancel leases if proposed project is approved.
Firgrove Business Park*	2404, 2411 Pacific Ave	Private	6,671/ 5,036	Y	N	Unknown	N	N	DOH to vacate 6/30/03 if proposed project is approved. Revenue to vacate and relocate into Capitol Plaza Bldg. Space may be considered by state as office space.
Eastside Plaza*	1101, 1102, 1112, 1300 Quince Street SE	Private	109,726	Y	N	N/A	Y	Y	DOH to vacate if proposed DOH project is approved; a state agency (OAC) has first right of refusal to lease <u>one</u> of the 3 buildings consisting of approximately 29,000 sf. Buildings to undergo major renovations. Space may be considered as potential office space.
Bridge Design Office*	4500 Third Avenue	Private	15,224	Y	N	N/A	N	N	Transportation agency to move around year 2004 if proposed Transportation project is approved; space may be considered as potential office space.
Capital View II*	724 Quince Street	Private	13,211	Y	N	N/A	Y	Y	Transportation agency to vacate around year 2004 if proposed project is approved. Backfill candidate if agency chooses to renew its lease. Bldg needs minimal upgrade before leasing to another state agency.
Legion Building*	809 Legion Way	Private	22,598	Y	N	N/A	Y	Y	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Lakeridge Building*	921 Lakeridge Way	Private	5,727	Y	N	N/A	N	N	Space may be considered as potential office space.
Bristol Court*	2420 Bristol Court	Private	5,950	Y	N	N/A	N	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
CAE Bldg*	719 Sleater-Kinney	Private	6,667	Y	N	N/A	N	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.

Name	Location	Owners	Sq Ft	Occup	Tenant(s) for Space	When to be Occupied	City PLA	State PDA	Comments (Impact on Current Office Space)
Transportation Bldg*	Capitol Campus	State	2,850	Y	Y	N/A	Y	Y	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Chandler Court*	2404 Chandler Court	Private	4,963	Y	N	N/A	N	N	If space vacated, backfill candidate.
N/A*	1000 Cherry Street	Private	6,400	Y	N	N/A	Y	Y	If space vacated, space may be considered as potential office space.
Terminal Road Bldg*	7600 Terminal Road	Private	11,080	Y	N	N/A	N	N	If space vacated, space may be considered as potential office space following facility upgrades.
Cleveland Ave Bldg*	321 Cleveland Ave	Private	2,160	Y	N	N/A	Y	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Woodland Square*	621 Woodland Sq Lp	Private	15,526	Y	N	N/A	Y	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
The 3000 Pacific Bldg*	3000 Pacific Ave	Private	23,789	Y	N	N/A	N	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Black Lake I & II*	405 Black Lake Blvd	Private	71,832	Y	N	N/A	N	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Black Lake III*	2000 W 4 th	Private	20,221	Y	N	N/A	N	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Bristol Court*	2424 Bristol Ct SW	Private	17,902	Y	N	N/A	N	N	Vacate space if proposed Transportation project is approved. Vacated space may be considered as potential office space.
Capital Plaza*	Corner of Eastside and Union	Private	58,000	N	Y	Spring 2000	Y	Y	Currently under renovations. Department of Revenue to co-locate.
N/A*	2411 Chandler	Private	9,075	Y	N	Unknown	N	N	AAG to relocate to new building. Space may be considered as potential office space.
General Administration*	210 11 th Ave SW	State	32,150	Y	N	N/A	Y	Y	Available space marketed to agencies needing office space.
Evergreen Plaza Bldg*	711 Capitol Way	Private	28,212	Y	N	Unknown	Y	Y	Revenue to consolidate into Capitol Plaza bldg
Dolliver Bldg (Old Federal Bldg)*	Capitol Way	State	13,000	N	Y	9/2000	Y	Y	Secretary of State, Corporation's Division will be moving out of Republic building to occupy this space.
N/A*	6004 Capitol Blvd	Private	10,955	Y	N	Unknown	N	N	Revenue to consolidate into Capitol Plaza Bldg. Space may be considered as potential office space.

Planned Space

Name	Location	Owners	Sq Ft	Occup	Tenant(s) for Space	When to be Occupied	City PLA	State PDA	Comments (Impact on Current Office Space)
N/A	SW Block of Cherry & 8 th Street	Private	105,618	N	N	Unknown	Y	Y	Site plan approval received, now expired
N/A	South of Tumwater City Hall and N of 73 rd Ave – New Market Street	Private	257,000 – 275,000	N	N	Unknown	Y	Y	Site plan approval received
Airdustral Park*	7171 Cleanwater Lane	Private	225,000 – 250,000	Y	N	Unknown	Y	Y	Existing buildings may be demolished and replaced with new buildings. First Phase submitted for site plan review/Second Phase Conceptual Phase.
Point Plaza	6840 Capitol Blvd	Private	77,000	N	N	Unknown	Y	N	Site plan approved for building #3.
Point Plaza West	150 Israel Road	Private	50,000	N	N	Unknown	Y	N	Construction nearly complete. 50,000 sf pre-leased to private
N/A	818 – 79 th Avenue	Private	50,000	N	N	Unknown	N	N	Plans submitted for building permit review.
N/A	6400 Linderson Way	Private	133,455	N	N	Unknown	Y	N	Site plan approved. Property rezoned.
Bristol Court Office Bldg	2425 Bristol Ct SW	Private	54,000	N	Y	7/1/00	N	N	Currently under construction for Attorney General
N/A	10 th & Columbia	Private	40,840	N	Y	7/1/00	Y	Y	Construction to be completed and ready for occupancy by 7/1/00.
Parkside	300 Deschutes Way	Private	31,000	N	Y	Unknown	Y	N	Owner expects to achieve 60-70% pre-leasing occupancy in immediate future. No state agency has committed to lease.

Proposed Space

Name	Location	Owners	Sq Ft	Occup	Tenant(s) for Space	When to be Occupied	City PLA	State PDA	Comments (Impact on Current Office Space)
Capitol Addition to the Legislative Building	Capitol Campus	State	37,000	N	Y	10/2003	Y	Y	If proposed project approved, 13,500 sf of existing space will be used for infrastructure renovation. Netting 23,500 sf of new space.
Health Building	N/A	Private	261,494	N	Y	9/2003	Y	Y	Proposed by Governor to Legislature.
Transportation Building	A State Campus	State	374,107	N	Y	7/2003	Y	Y	Study conducted by GA in response to ESHB 1125.

*Agency moves either anticipated or proposed.

**The Cities have defined Preferred Leasing Areas, however, PLAs have not been adopted by the state.

Today's Leasing Situation

THURSTON COUNTY LEASE DEVELOPMENT PROJECTS UNDER CONSTRUCTION

PROJ. NO.	CITY	AGY	STATUS	SQUARE FEET	VACATING	VACATED SQUARE FEET	REASON FOR VACATING	SF INCREASE/DECREASE
263-9-97	Lacey	SHS	Planned Space Woodland Square - Letter of Intent	46,744	Existing Woodland Square Building	33,184	Expansion	13,560
129-04-00	Lacey	ESD	Planned Space Woodland Square - Letter of Intent	10,995	Capitol Park Building	10,035	Upgrade	960
138-4-98	Olympia	CTED	Planned Space 10th & Columbia - Letter of Intent	32,402	Various small spaces in Olympia	7,938	Consolidation/Expansion	24,464
205-07-99	Olympia	WTB	Planned Space 10th & Columbia - Letter of Intent	8,168	Airustrial Park, Building 17	10,602	Upgrade/Downsize	-2,434
226-06-98, 286-09-98 & 063-02-00	Olympia	ATG	Planned Space Bristol Court - Letter of Intent	54,744	Chandler Court	9,075	Consolidation/Expansion	45,669
			Subtotal	90,141	Subtotal	51,157	Subtotal	82,219

SUMMARY OF TEN YEAR THURSTON COUNTY LEASES

PROJ NO.	AGY	ADDRESS	CITY	DATE OF REQUEST	SF	COST PSF 1ST 5 YRS (10) YR TERM	COST PSF 2ND 5 YRS (10) YR TERM	COST PSF 5 YR TERM	SVGS - CASH	SVGS - NET PRESENT VALUE
240-8-97	DSHS	6737 Capitol Blvd.	Tumwater	8/1/97	37,488	\$14.25	\$16.35	\$15.00	212,970.00	335,518.00
158-5-98	DSHS	4450-10th Avenue	Lacey	5/1/98	108,400	\$14.35	\$16.05	\$16.80	1,550,120.00	1,062,588.00
344-10-98	DSHS	712 Pear Street	Olympia	10/1/98	70,000	\$13.50	\$15.50	\$13.50		870,360.00
147-04-98	OFM	6639 Capitol Blvd.	Tumwater	3/29/99	23,940	\$13.90	\$16.00	\$14.65	191,520.00	124,083.00
138-04-98	CTED	124 SW 10th Avenue	Olympia	8/20/99	32,402	\$15.75	\$15.75	\$17.50	N/A	398,261.00
263-09-97	DSHS	640 Woodland Square Loop SE	Lacey	8/20/99	49,454	\$13.75	\$14.78	\$19.75	3,441,999.00	2,195,750.00
269-09-99	REV	1025 E. Union	Olympia	2/11/00	58,845	16 months \$14.27; 24 months \$15.29; 20 months \$15.98 for 1st 5 years;	4 months \$15.98; 24 months at \$16.67; and 32 months \$17.17 for 2nd 5 years.	\$15.50	1,065,059.00	598,836.00
183-06-99	CTED	906 Columbia St. SW	Olympia	3/14/00	54,554	\$14.00	\$16.00	\$15.68		654,880.00
							TOTAL SAVINGS		6,461,668.00	6,240,276.00

Development Considerations

CONCEPTUAL PLANNING CHARETTE, CITY OF OLYMPIA

Preferred Development Area/Preferred Leasing Area

On January 10, 2000 local, regional and state facility and transportation planners and architects put their collective heads and resources together in a Design Charette for a 260,000 square foot office building located in the northern part of the Olympia Central Business District. For planning purposes, this building was assumed to be similar to the requirements for the Department of Health.

Background

The Department of General Administration (GA) has been working with the City of Olympia for over 10 years to develop state office sites in ways that meet both the state and the city's objectives. Indeed, the City's "vision" for state office development within the CBD was incorporated in the 1991 State Capitol Master Plan.

In late 1999, GA had asked the City to update its Vision by identifying areas/sites within the downtown and its environs that offered the most potential for state office development and reinforce the "urban fabric" of the City. The City, working with the Port of Olympia, identified 6 potential areas. Of these, the site designated as "Site #1" in the north downtown area was chosen for additional study because of its potential for meeting a variety of state and community objectives. Part of this study was the holding of a Design Charette.

Purpose of the Design Charette

The purpose of the Charette was to develop a preliminary site study for a "prototypical state office

1. A threshold conclusion on the feasibility of developing the site
2. Capacity and footprint based on city development standards
3. Inventory of site strengths and weaknesses
4. Preliminary strategies to address weaknesses, multiple ownership of site parcels, and under what structure should it be developed
5. Approaches that would emphasize opportunities for multi-modal transportation and shared parking mixed uses for retail and housing, and potential for stimulating adjacent development.
6. Sixty day planning agenda

Planning Principles

The following planning principles were incorporated into the Charette design:

- Reinforce the urban fabric of the north downtown area
- Incorporate design criteria compatible with adjacent Port and North Downtown development
- Support a seven days a week, 24 hours a day urban environment with emphasis on evening and weekend activity
- Promote planning and development partnerships
- Link land uses to transportation systems, minimizing the transportation impacts of development

Design Criteria

- Cost effective
- Not monumental or institutional
- Building footprint emphasizes density (3-4 acres vs 15 acres)
- Efficient and flexible floor plan, expandable
- Highly adaptable to change in function, operation and technology
- Energy efficient
- Healthy environment
- Convenient access to/from transit and Interstate 5
- Use parking structure as opposed to surface parking
- As close as possible to center of Downtown

The results of the Charette thus were to further define the requirements in land, site improvements and mitigation for a developer that would hopefully pick up and move forward with the project.

Charette

The working group consisted of state architects, transportation planners, facility planners, City of Olympia land use planners and transportation staff, Intercity Transit staff, and Thurston Regional Planning Council staff. After presentations from city and state officials, the group formed four teams to place a 260,000 5 story "investment grade building" with parking for 850 cars on 4 alternative sites within the identified as "Site 1" in the Olympia Preferred Development Area/Preferred Leasing Area. That site was north of State Avenue and east of the Farmers Market. Each team then presented its design, showing the size and orientation of the building footprint and parking footprint necessary to meet the prototype's requirements. Each was evaluated according to how well they met the design criteria and how feasible (cost effective) it would be to construct.

Three Design Scenarios

The following scenarios summarize the design themes and unique features that each team considered in developing their designs.

Scenario One – GA Engineering and Architectural Services Team

This site was chosen because the parking garage could serve facilities to the north such Farmers Market and future office buildings and get funding participation from LOTT by incorporating part of their expansion into the parking structure.

The office building would have an urban façade similar to the new housing.

It would be a multi-use building with retail and assembly areas on the ground floor; office space on floors 2-4 and residential housing on the upper floor. The building site has tree screening on the east side. Off loading, delivery and accessible parking are provided on the building site. The main parking garage is just north of the building on the next block. A sky bridge could easily connect the two facilities.

Scenario Two – GA Real Estate Services Team

This site was the southern most site closest to the existing Olympia down town area.

In siting the building it was important to maintain a presence in the community. It should be not only a facility that's easy to get to, welcoming in its appearance, and responsive to traffic patterns, but it should also be "embraceable" by the public and a source of pride for the community.

The facility was located as close to the established downtown core as possible so it would maintain a direct connection to the retail aspects of a pedestrian-oriented downtown. This location would serve to reinforce the notion of the facility being a "partner" supporting the vast quilt of retail businesses and opportunities in this area.

The physical “diagonal connection” to the facility’s neighbors help promote a maximum of dynamic interaction rather than sterile “building face-to-building face” orientation. This opens up the possibilities of more people-friendly courtyards and plazas.

Scenario Three – City of Olympia Team

This team chose multiple phases for the project. Buildings would have an urban appearance similar to the newly constructed residential housing. Buildings would be multi-use structures with parking, loading and retail on the ground floors, office use above and residential housing on the top floor. This would create a 24-hour use building.

Phase I: Construct a multi-use building adjacent to the existing Transit Center. In addition, construct a conference / assembly meeting facility just to the north of the multi-use building. This building is triangular in shape complementing an open space triangle to the north (see site plan). This theme is unique to the other plans because it develops a separate conference / assembly facility rather than incorporating it into the office building. It also incorporates parking within the multi-use building instead of using a separate facility. A future parking garage may need to be developed when a multi-use building replaces the surface parking.

Parking for Phase I would be surface parking north of the building, adjacent to LOTT.

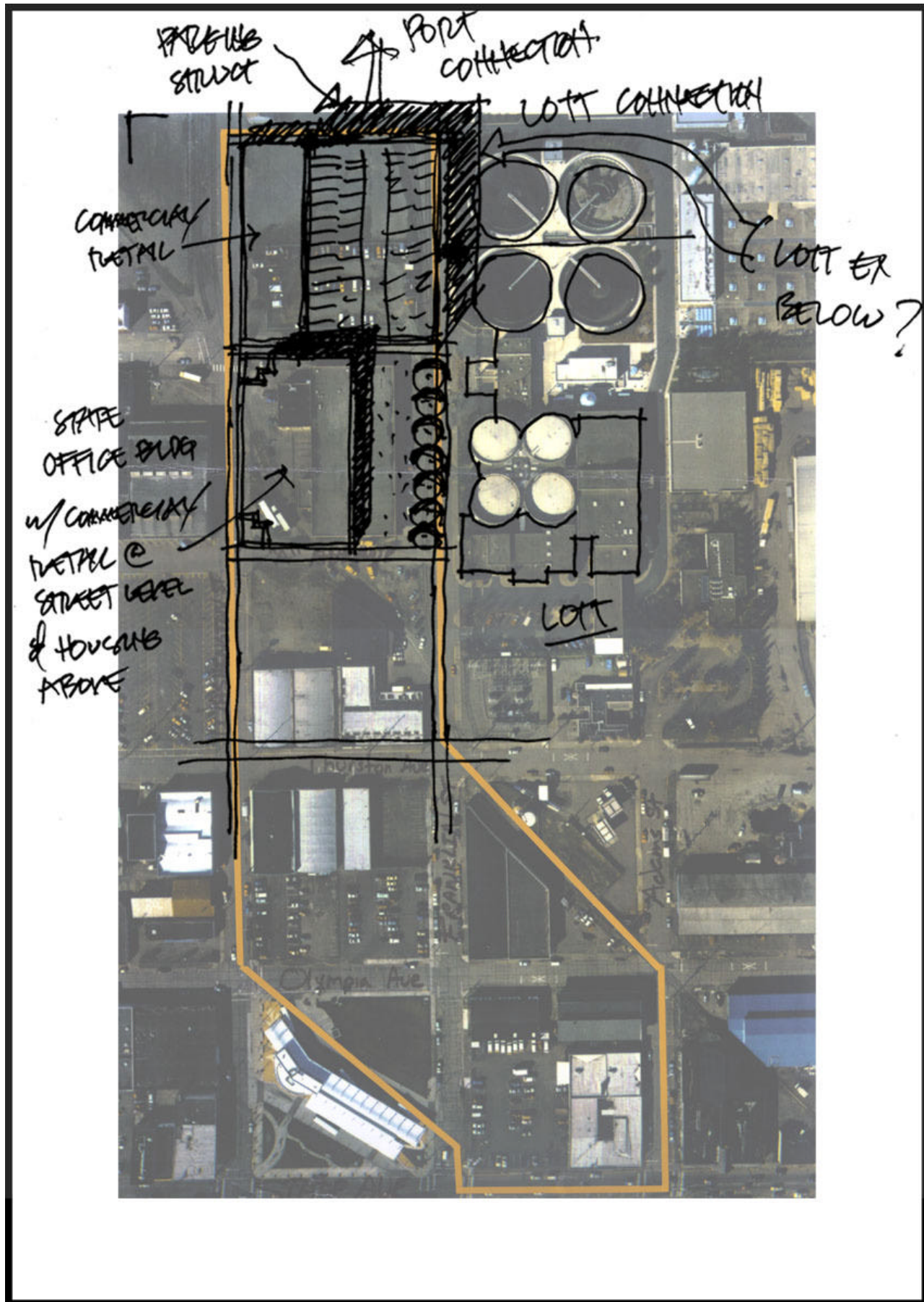
The site would later be developed with a future building.

Phase II and Phase III

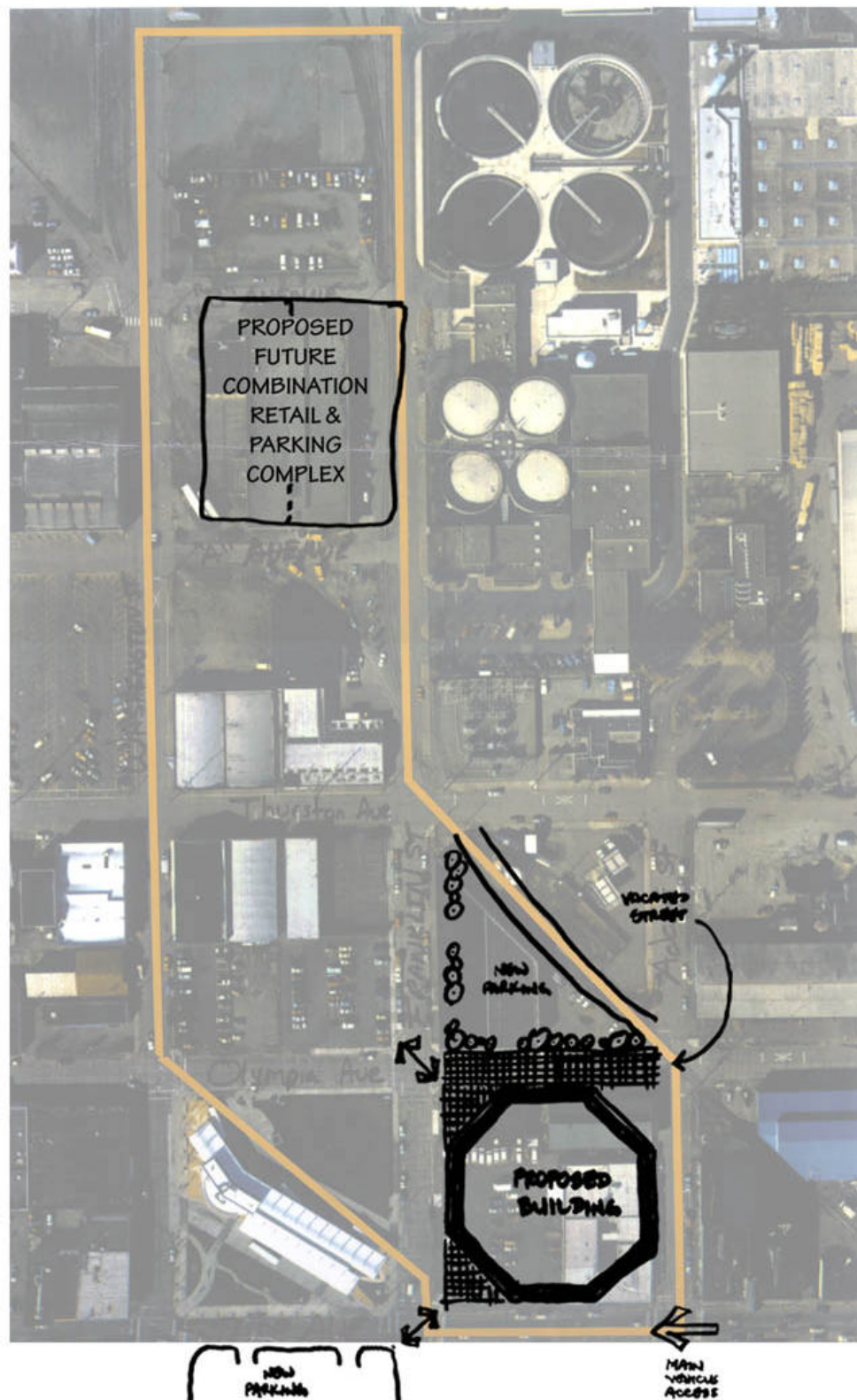
Replace the surface parking with a multi-use building as the need for multi-use space grows. This future growth may require a smaller parking garage in the future phases if parking cannot be satisfied within the multi-use structures.

Conclusion

The desired outcome, in the short term, is that a private developer will take the preferred design information, assemble necessary properties and respond to a request for proposal to house DOH or other agencies that need new office space. It is also hoped that the project would encompass a number of mutually beneficial partnerships. For example, the developer could team up with the City of Olympia, Port of Olympia and/or LOTT to construct a parking structure that would mutually benefit the state office building’s tenants, the City, Port and possibly LOTT.



Scenario Two – GA, Real Estate Services



SUMMARY OF POINTS MADE AT 4/17/00 STATE CAPITOL COMMITTEE MEETING

City Manager Panel (Greg Cuio, Doug Baker, Dick Cushing)

1. Cities are interested in keeping existing state office buildings full (i.e., no dark buildings)
2. City councils were involved in establishing Preferred Development and Preferred Leasing Areas.
3. Consolidating state offices is important for the cities for sound community development.
4. The State should avoid leasing and converting retail spaces.
5. Cities plan to help direct state-caused development to these preferred areas (e.g., expedited plan and permit reviews, pre-environmental and impact fee analysis, etc).
6. Cities have asked for early notice and involvement in state leasing decision-making.
7. The state PDA/PLA strategy should have flexibility to expand or add to these areas in the future.
8. Lacey noted that Woodland Square (PLA 1) has only one undeveloped site and that the Lacey Corporate Center (Yelm Hwy & College – PLA 3) was added because it is vested for 2200 commute trips and may provide the state more Lacey options.

Developer Panel (John Drebeck, Brent McKinley, Jim Morris)

1. Developers want the state to lease rather than own its office buildings and warehouses because it is more cost-effective in the short run, more timely and provides cities greater benefits. Over 40 years, it will be more cost effective for the state to own rather than lease.
2. Better planning, earlier notice and more active involvement with building owners of state intention to develop new offices and move from existing leased space is desired.
3. State and cities should be more open to leasing property outside of city-designated PDAs and PLAs to provide more options and better prices.
4. PLAs may not be necessary.
5. The State Capitol Committee's specific authority to establish PLAs does not seem to exist in the RCWs.
6. The State, not the cities, should establish PLAs, but only after broader public participation and official public hearings.
7. Cities and state decision processes for leasing and designating and modifying PDAs and PLAs should be more well defined and more inclusive of developers and lessors.
8. The Olympia PLA should include the Evergreen Park PUD.
9. A public-private partnership should be considered to address downtown parking requirements.
10. Rent to cover downtown Olympia development costs is expected to vary from \$22 to \$28 per square foot (in large measure because of the requirement for structured parking) versus \$16 to \$18 outside downtown Olympia (mostly because surface parking is available).
11. 10-year leases should be permitted outside PLAs.
12. GA's new definition of Thurston County "existing space" is too restrictive.
13. The Floor Exchange (Tumwater PLA #3) should be moved into the Tumwater PDA.

Comments by SCC Members

1. Developers were asked to share ideas for how the state should do development and leasing to better meet state needs (RM).
2. Public-private partnerships should be pursued (JB & RM).
3. The Capitol Grant Trust may provide the means through trade or purchase to acquire property for future state development (JB).
4. A “trigger point” approach where leasing should address short-term requirements should be considered for the state’s owning/leasing strategy (JB).
5. The state’s plan should be synchronized with the cities comprehensive plans (JB).
6. Future SCC meetings should include the following panel discussions: state agencies, capital budget committee chairs and JLARC staff, and retail business.
7. Criteria on how to locate different types of state offices is needed. This should include the following: need to be on or close to the Capitol Campus, need for transit, customer requirements, etc.
8. The state should locate and acquire property needed for future state offices years in advance of that need using the same process as school districts such as Olympia.

Section II. Agency-level Planning Update

Department of Revenue – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Olympia District Office, Forest Tax, Special Programs	2735 Harrison Ave #4	24,975	109	\$14.10	\$352,148	10% growth every 5 years
Taxpayer Account Admin, Executive, Legal, Financial Services	210 11 th Avenue	52,384	182	\$9.06	\$474,599	"
Warehouse	7741 Arab Rd (DOR will consolidate this operation by relocating into 6300 Linderson Wy in October, 2000)	9,893	2	\$5.30	\$52,433	"
Information Systems	6300 Linderson Way	48,187	169	\$11.77	\$567,161	"
Employee Services, Taxpayer Services, Internal Audit, Audit, Compliance, Research, Legislation & Policy, Forecast Council, Appeals	Capitol Plaza Bldg (Agency moved from 711 Capitol Way, 2409 Pacific Avenue, 6004 Capitol Blvd, and parts of 711 State into this space beginning April of 2000)	58,845	249	\$16.07	\$945,639	"

Office of the Administrator for the Courts – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Training/Annex	1210 Eastside	4,040	18	\$11.70	\$47,268	2 FTEs in 5 yrs; 2 FTEs in 10 yrs for total of 4
Headquarters	1206 S Quince	29,128	123	\$13.35	\$388,859	0 FTEs in 5 yrs; N/A for 10 yrs
Warehouse	830 28 th , #600	3,250	0	\$9.15	\$29,738	
Warehouse	922 79 th Ave	6,035	0	\$5.29	\$31,925	
Human Resources/Finance	711 Capital Way	4,456	15	\$14.92	\$66,484	4 FTEs in 5 yrs; 4 FTEs in 10 yrs. for a total of 8

Office of the Attorney General – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Social & Health Services	670 Woodland Sq Lp	33,345	71	\$12.74	\$424,815	2 to 2 ½ percent growth per year
Human Resources, L&I	4224 6 th Ave SE	21,055	60	\$12.35	\$260,029	"
Torts	629 Woodland Sq Lp	33,269	115	\$13.85	\$460,776	"
Health	905 Plum	42,403	100	\$13.30	\$563,960	"
Ecology, Agriculture, Criminal Justice Divisions	2425 Bristol Court* (Staff from 629 Woodland Sq, 2411 Chandler, 905 Plum St in April)	54,744	260	\$14.07	\$770,248	"
Supply Center	7510 New Market St.	18,016	15	\$8.25	\$148,632	"
Administration/ISD	1110 Capitol Way (State Owned)	33,302	100	\$22.47	\$745,930	"
Administration, Consumer Protection, Resources, Fish & Wildlife	1125 Washington St SE (State-Owned)	72,283	180	\$8.74	\$1,335,765	"

Employment Security Department – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Region, JSC, Tax, Guide	3738 Pacific Avenue	17,643	44	\$15.55	\$274,349	Unknown
E&T-LMEA-Vets-Work Source-Reg Affairs-ITSD, Guide	605 Woodland, A	68,574	320	\$12.19	\$835,917	Unknown
Included above	605 Woodland, B	7,569	Included above	\$12.34	\$93,401	"
Commissioner Review	420 Golf Club Rd	2,525	10	\$13.09	\$33,052	"
OSI-Contracts-Internal Audit-Quality Control	4317 6 th Ave SE	8,600	39	\$13.25	\$113,950	"
Warehouse, Records, Duplicating	926 79 th Ave SE	43,000	22	\$3.55	\$152,650	"
Staff Development, Office Services	106 Maple Park (State Owned)	12,840	35	\$8.74	\$112,222	"
UI-ASD-Comm Office-Public Affairs-Personnel-Mail-Risk-ITSD, Guide	212 Maple Park (State Owned)	99,536	321	\$8.74	\$869,945	"

Department of Ecology – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Headquarters	300 Desmond (State Owned)	320,000	900	\$17.82	\$5,702,400	Unknown

Department of Labor and Industries – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Headquarters	7273 Linderson Way, Tumwater (State Owned)	389,154	1,800	\$22.81	\$8,874,730	93 in next year; unknown thereafter
Warehouse	7827 Arab Dr	26,084	6	\$5.33	\$139,028	No Growth
Self Insurance	724 Quince St SE	13,165	63	\$14.24	\$187,470	12 FTEs in 5 yrs; 9 FTE's in 10 yrs for a total of 21
WISHA Lab	805 Plum St	18,078	17	\$13.70	\$247,669	1 FTE in 5 yrs; 2 FTE in 10 yrs for a total of 3
Storage	7741 Arab Rd	6,900	0	\$5.90	\$40,710	0

Department of Fish and Wildlife – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Headquarters	1111 Washington (State Owned)	123,425	450	\$18.46	\$2,278,426	Unknown
Engineering/Wildlife	600 Capitol Way N. (State Owned)	14,000	60	\$0.72	\$15,000	"
Warehouse	516 Washington (State Owned)	26,500	40	\$0.75	\$25,000	"
Storage	3939 Cleveland	21,050	0	\$4.90	\$103,145	"
Business Services/Finance	902 E Union	10,953	45	\$11.50	\$125,960	"

Department of Natural Resources – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
Headquarters	1111 Washington (State Owned)	151,780	500	\$18.46	\$2,801,859	Unknown

Department of Community Trade and Economic Development – Office Locations

Division/Program	Thurston County Locations	Square Feet	# of Emp.	Facilities Cost PSF/YR*	Total Annual Facilities Cost	Estimated Projected Increase in Staff
OAHP	420 Golf Club Road	4,054	12	\$10.23	\$41,472	Unknown
Headquarters	906 Columbia St	54,554	270	\$15.00	\$818,310	"
Energy Division	925 Plum St	3,884	22	\$13.70	\$53,211	"
Tourism, Public Works Board	210 11 th Ave	16,270	32	\$8.74	\$142,200	"
Economic Development, Headquarters	10 th & Columbia* (Staff from headquarters will move into this location on July 1, 2000)	32,402	90	\$16.67	\$540,141	"

*Facilities Cost PSF/YR has been adjusted to include janitorial and utilities costs.

5/30/00

UPDATE ON DEPARTMENT OF HEALTH CONSOLIDATION PROJECT

Report #3 (December 1999) included a summary of the Governor's supplemental budget request to consolidate the Department of Health. During January and February 2000, two additional Department of Health (DOH) scenarios were completed. DOH also made a presentation to the Legislature regarding their needs for a consolidated facility. Their presentation is in Appendix J.

Last year the Government Building and Lessor's Association (GBOLA) and the Department of General Administration (GA) reviewed the materials prepared by DOH's consultant, BCRA Architects, and further refined the JLARC analysis of the DOH preferred option of lease developing a single facility at one time.

GBOLA identified two areas where they recommended changes. First, they found that GA had included the cost of furniture in the *pro forma* rate but not in the life cycle cost base. Second, they recommended the state use a different method for calculating the lessors profit and in turn the residual value of the building. These two adjustments changed the net present value of the preferred option from \$72,652,707 to \$74,981,013. That revised information is included in Appendix J. Since GBOLA's approach to calculating the lessors profit and residual value vary from that which has been practice the information in Appendix J is presented for information purposes only.

The Legislature also asked GA to develop an additional scenario for review. That scenario envisions a two-phase construction program with the first phase building being 139,200 gross square feet. The detail of that project is also included in Appendix J. The Net Present Value cost of that proposal is significantly higher, at \$89,265,114, than DOH's preferred option.

The summary sheet, including the JLARC changes and the smaller building scenario are in the table below. The Governor's request was to lease develop a single DOH building in a single phase. The JLARC analysis indicated that the NPV of that option is \$72,652,707.

Comparison of Department of Health Office Space Alternatives Using JLARC Model

	Continue Leasing Current Office Space	Move From 114,320 sf (Status Quo Option - See Note)	State Development	Governor's Request Preferred Option (Lease for 5 Years then Acquire)	139,200 gsf Building then Purchase After 5 years Lease Rest of Space
30 Year Net Present Value	\$66,407,393	\$71,108,305	\$71,123,548	\$72,652,707	\$89,265,114
30 Year Total Cash Flow	\$182,927,635	\$196,031,667	\$123,969,513	\$140,473,733	\$201,222,328
Office Space Lease Cost Year	\$3,815,192	\$4,325,104	\$5,665,612	\$5,896,507	\$6,683,328
Office Space Lease Cost Year	\$5,709,256	\$6,361,942	\$5,918,451	\$5,446,933	\$6,922,120
Operational Cost Savings Year	\$0	\$0	\$674,662	\$674,662	\$281,430
Operational Cost Savings Year	\$0	\$0	\$720,057	\$720,057	\$368,673

Note: Status Quo Option = Replace 114,320 of presently 30-year old leased space with new lease grade space. Other leased space remains in present location -

Note: Life-cycle cost analysis includes furniture and data processing upgrade cost. Earlier C-100's don't include those costs. Life cycle cost analysis and C-100's include cost of moving.

Note: During the 1/13/00 House Capital Budget Hearing the life cycle cost analyzes were based on a 25 year planning horizon. However, the Governor's preferred option (to lease for 5 years then acquire via a 25 year COP) was actually a 30 year horizon which was "discounted" to the same 25 years as the other options. The change from 30 years to 25 years caused some confusion among various parties. Thus, it was recommended by GBOLA that the life cycle analysis use a 30 year basis for all comparisons. This summary presents the options using the 30 year planning horizon.

Note: Proposal to lease develop a single building of 139,200 gsf privately developed in a preferred development area in Thurston County, with an option to later purchase. Programs within DOH that have major customer needs, central support functions and agency shared space needs would be considered for consolidation in this facility. Most of these programs are not currently located in Tumwater. This scenario anticipates moving current programs whose leases expire in 2003 and currently housed in Tumwater, into newer leased space, and maximizing consolidation where possible. Operational costs savings to be determined.

The Legislature did not act on the DOH proposal. The DOH plans to resubmit a request to the 2001 Legislature.

JANUARY 2000 UPDATE ON TRANSPORTATION AGENCIES

The 99-01 Transportation Budget appropriated \$100,000 for an evaluation of a proposed transportation agencies office building. That evaluation was transmitted on December 30, 1999. An analysis of available and planned space was transmitted on January 31, 2000.

January 31, 2000

The Honorable Valoria Loveland, Chair
Senate Ways and Means Committee
300 John A. Cherberg Building
Olympia, WA 98504-0482

The Honorable Mary Margaret Haugen, Chair
Senate Transportation Committee
201 John A. Cherberg Building
Olympia, WA 98504-0482

The Honorable Gary Alexander, Co-chair
The Honorable Edward Murray, Co-chair
House Capital Budget Committee
220-B, John L. O'Brien Building
Olympia, WA 98504-0600

The Honorable Ruth Fisher, Co-chair
The Honorable Maryann Mitchell, Co-chair
House Transportation Committee
B-10, John L. O'Brien Building
Olympia, WA 98504-0600

SUBJECT: Transportation Agencies Consolidation (Co-location) Study – Space Inventory

This is the second of the two reports required of the Department of General Administration (GA) by ESHB 1125. The first was submitted on December 31, 1999. This analysis responds to our direction to "consult with state agencies, private developers, and building owners to determine the inventory of space available and planned over the next ten years in government and non-government buildings, and the impact on current office space."

In summary, with the assistance of local developers and the cities of Olympia, Tumwater and Lacey GA has identified 41 separate buildings as *Existing*, *Planned* or *Proposed*. An *Existing* building is presently useable as office space. Some of these buildings are presently occupied by state agencies. The spaces to be vacated are noted where agency moves are anticipated or proposed. A *Planned* building is where a site plan has been approved by the city and construction is scheduled to be complete within the next 10 years. A *Proposed* project is one that has been requested for approval by the 2000 Legislature or is, in the case of the Transportation Agencies Consolidation Study, under consideration. Only those moves or future developments that GA is aware of are included in this report. Therefore, this report should not be considered as a comprehensive listing of all future construction/office development that might occur.

The following highlights the findings of this report:

- The 41 buildings consist of 28 *existing*, 10 *planned* and 3 *proposed*.
- Approximately 1,067,000 square feet space is "planned" to be built by the private sector within the next 10 years, subject to state requests for that space. All 10 *planned* buildings would be privately owned.
- Approximately 37,000 square feet of office space is proposed to be built and owned by the state. An additional 261,000 square feet of office is being proposed to be built by the private sector and later purchased by the state. The 374,000 square foot Transportation Agencies Building is under consideration. Two of the 3 *proposed* buildings would be publicly owned when built. The third would be purchased by the state in 2008.
- Approximately 591,000 square feet of office space will be vacated if the Capitol Addition, Department of Health Building and the Transportation Agencies Building are authorized. As yet there are no backfill candidate selected.

If you have questions or comments regarding this report, please don't hesitate to call me at (360) 902-7203 or e-mail me at gfredri@ga.wa.gov. Thank you.

Sincerely,

Grant L. Fredricks, P.E.
Deputy Director

GF:kh

Enclosure

Cc: Mike Roberts, OFM
Doug Vaughn, OFM
Mike Groesch, SWM
Bill Robinson, HCB
Brad Lovaas, LTC
Chris Reykdal, LTC
Gary Lebow, LTC
Jerry Long, LTC

DECEMBER 1999 UPDATE ON TRANSPORTATION AGENCIES

December 30, 1999

The Honorable Valoria Loveland, Chair
Senate Ways and Means Committee
300 John A. Cherberg Building
Olympia, WA 98504-0482

The Honorable Mary Margaret Haugen, Chair
Senate Transportation Committee
201 John A. Cherberg Building
Olympia, WA 98504-0482

The Honorable Gary Alexander, Co-chair
The Honorable Edward Murray, Co-chair
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Olympia, WA 98504-0600

The Honorable Ruth Fisher, Co-chair
The Honorable Maryann Mitchell, Co-chair
House Transportation Committee
B-10, John L. O'Brien Building
Olympia, WA 98504-0600

SUBJECT: Transportation Agencies Consolidation (Co-location) Study

Attached is a copy of an evaluation of planned facility design and budget for a proposed transportation facility as directed by the 99-01 Transportation Budget, ESHB 1125.

A second requirement of the appropriation was to report on how 10-year transportation-related facility office space needs in Thurston County can be met with the inventory of available and planned space, including the impact on current office space. A report addressing these issues will be forwarded under separate cover by its directed completion date of January 31, 2000.

This appropriation directed the Department of General Administration to conduct an evaluation of a planned facility design and budget for a co-located facility originally proposed to be located in Tumwater. Sites evaluated include state-owned property on the Capitol Campus, the Tumwater campus adjacent to the Labor and Industries Building, and the Lacey campus near the Department of Ecology. The study is consistent with state policy to: encourage co-locating and consolidating state services into single or adjacent facilities whenever appropriate, improve public service delivery, minimize duplication of facilities, increase efficiency of operations, and promote sound growth management planning.

During the study, the Department of General Administration, Department of Transportation, Department of Licensing, and Washington State Patrol representatives met with and briefed private developers and GBOLA members, OFM, and staff from the House and Senate Transportation, House Capital Budget, and Senate Ways and Means Committees. Private developers and their consultants also participated in several cost subcommittee meetings during which the assumptions of input to the JLARC model were discussed as well as a work session on state office building standards. The building analyzed in the Transportation Co-location study reflects non-monumental building of enduring quality with a 50-year life expectancy. This investment-quality building is also high performing and efficient, avoiding many of the problems agencies experience with existing leased space in Thurston County.

During the study, the Department of Licensing expressed an interest in consolidating all of its operations into a single building. While this additional analysis was beyond the scope and budget of the appropriation, an initial review of the sites indicated that the Lacey Campus is too small, but the Tumwater or Capitol Campus sites could accommodate additional square footage consolidate Department of Licensing. The Capitol Campus has the added benefit of proximity to the Department of Transportation's existing headquarters and better service by public transportation.

Findings of the study demonstrated that this project is a cost-effective taxpayer investment. Several development options on each of the sites were analyzed. In each case, state development and ownership was the most cost-effective method for procuring and operating the proposed transportation agencies co-located building. Even when property taxes are imputed under the state-owned scenarios, the life-cycle costs under the private lease development would be from \$17 to \$25 million higher than the costs of a project developed and owned by the state. The most costly option analyzed by the study, a 374,107 gross square foot building featuring below-grade parking structure located on the Olympia campus, had an escalated project cost of \$111 million, substantially less than speculated during last year's legislative testimony. With further study and work with local jurisdictions, the application of more aggressive transportation demand management goals will reduce parking costs. In addition, the study report recommends proceeding with the pre-design and additional detailed cost-benefit analyses of the Olympia and Tumwater sites, as well as an environmental impact statement to identify the full costs of environmental mitigation.

The Department of General Administration is available to answer questions or present findings at upcoming meetings with your committee or to brief staff.

Sincerely,

Grant Fredricks, P.E.
Deputy Director

GF:msk

Attachment

Cc: Mike Roberts, OFM
Doug Vaughn, OFM
Mike Groesch, SWM
Bill Robinson, HCB

Brad Lovaas, LTC
Chris Reykdal, LTC
Gary Lebow, LTC
Jerry Long, LTC

Appendix A: Recently Asked Questions about Thurston County Leasing February 1, 2000

PREFERRED DEVELOPMENT AND PREFERRED LEASES AREAS

1. What is the difference between Preferred Development Areas and Preferred Leasing Areas?

The 1991 Capitol Master Plan does not make reference to Preferred Leasing Areas. When it was approved by the State Capitol Committee (SCC) in 1991, it was envisioned that most future state office development would be owned and that these owned office buildings should be located in the *Preferred Development Areas (PDA)*. In fact, since 1991 no new state-owned offices have been authorized. State office needs have increased as anticipated by the 1991 Plan, however. The state's need for new space has been met by private development of leased facilities. All of the new leased buildings in Lacey have been within the 1991 Lacey PDA, but none of the new leased office space in Olympia or Tumwater has been within those cities' PDAs.

This scattered development caused Thurston County, the 3 cities, Intercity Transit and the Port of Olympia to ask the State to review its policies about locating state offices. Working together, the idea of *Preferred Leasing Areas (PLA)* was developed and it was agreed that the SCC be requested to add PLAs as an amendment to the 1991 Capitol Master Plan.

2. Has the state formally established Preferred Leasing Areas (PLA)?

Not yet. *Preferred Leasing Areas (PLAs)* are areas where state leasing is preferred by local government. The areas were proposed by the cities of Olympia, Lacey, and Tumwater in spring 1999. These areas and an implementing policy statement were initially presented to the State Capitol Committee (SCC) for review in June of 1999 and discussed again in January 2000. GA has also developed leasing procedures to implement this proposed policy. Specific Preferred Leasing Areas and policy will be an agenda item for approval by the SCC at their April or June 2000 meetings.

3. Have the 1991 Capitol Master Plan Preferred Development Areas (PDA) been changed?

Preferred Development Areas (PDAs) are areas where state ownership is preferred by local government. The State Capitol Committee has not officially changed the PDAs, but GA will ask the SCC to amend these areas at its April meeting because of the following city-requested changes:

The Tumwater area – referred to in Tumwater's new comprehensive plan as the Tumwater Town Center – is slightly changed from the 1991 State Capitol Master Plan with the elimination of high school and church property north of Israel Road.

The Olympia area – referred to in Olympia's comprehensive plan as Downtown is expanded slightly to include portions of the Port of Olympia property in North Olympia recently identified in the Port's Comprehensive Plan as consistent for commercial office development.

The Lacey area is substantially smaller than in the 1991 State Capitol Master Plan that included Lacey's entire Central Business District. Lacey's proposed PDA is limited to current state-owned property at Saint Martin's College adjacent to Ecology headquarters. This reflects Lacey's interest in maintaining a strong retail base within their Central Business District.

4. For the Olympia PDA, is it being expanded to include the Port of Olympia property?

Yes, but only those Port areas contiguous to downtown Olympia.

5. What is so important about directing state office development to these areas?

The 1991 Capitol Master Plan calls for future state development to support the comprehensive plans of Thurston County and its municipalities. These plans include concentrating employees to achieve urban densities which can more easily be supported by community services, controlling impacts on public infrastructure, and encouraging alternatives to single occupancy vehicles such as public transit.

6. When will PDAs be changed and PLAs formally established?

The State Capitol Committee will have this issue on their April and June 2000 agendas. Subsequent changes may be initiated by local jurisdictions if they change their comprehensive plans.

7. If we are currently leasing outside a PLA, will the state move out when the lease expires?

GA's proposed *Preferred Leasing Policy* does not require agencies located outside *Preferred Leasing Areas* to move when leases expire. The policy will only apply when agencies initiate a move through the normal course of business. Once an agency vacates a building outside the Preferred Leasing Area, the Preferred Leasing Policy will apply for all subsequent leases.

8. What are the cities willing to do for the state in exchange for the state designating the PLAs?

Cities say they will expedite review and approval of proposed projects, assist in the development of commute trip reduction and parking efficiency plans, help to minimize impact fees and other costs affected by city requirements, and consider development partnerships.

MASTER PLAN LEASING POLICY

9. Why wasn't the Leasing Policy described in the 1991 Master Plan ever completed?

There was no significant commercial development in Thurston County from 1991 to 1997, making the writing of a leasing policy a low priority. During the same time, GA's long range planning funding was eliminated and repeated budget requests for increased Leasing Program funding to keep up with expanding statewide work loads were not supported. In 1998, when commercial development activity picked up again, Intercity Transit and the local jurisdictions contacted GA and requested that a leasing policy be developed pursuant to the *Master Plan*. GA has been jointly developing such a policy since then. The policy with an implementation strategy will be finalized in December 2000.

10. How many buildings and how much space is state government leasing in Thurston County?

The state is leasing approximately 3,000,000 square feet of office and warehouse space from the private sector in Thurston County.

	<u># Leases</u>	<u>Square Footage</u>
Lacey	41	679,137
Olympia	113	1,774,933
Tumwater	<u>33</u>	<u>544,221</u>
Total	187	2,998,291

DEPARTMENT OF HEALTH PROPOSAL

11. What is the status of the proposed Department of Health (DOH) building?

DOH has completed a consolidation study and the proposed DOH building is in the Governor's supplemental budget. The DOH and GA are preparing a project management plan that would begin in April 2000 if the Legislature authorizes the project.

12. Are the DOH-leased buildings in Tumwater scheduled for demolition?

The owner of seven of the buildings in Tumwater, which contain approximately 64,000 square feet, has indicated in the past that the buildings would be demolished upon lease expiration in September of 2003. The owner recently clarified that he would not require DOH to move out so that he could demolish the buildings.

13. Why can't the DOH proposal wait until next year?

Two of DOH's major leases (for seven buildings) expire in 2003. In order to meet a construction deadline of 2003 for new construction, the project will have to be authorized by the 2000 Legislature. Most landlords are generally unwilling to negotiate leases with less than five year terms. DOH has indicated that they will move out of the Tumwater offices in 2003 into other leased space if the lease development proposal is not approved. This means that DOH would not be able to coordinate consolidation of its many different locations until 2009.

Why can't DOH simply stay in its current leased space and upgrade that space?

DOH is housed in 21 different buildings in 4 locations. Fourteen of these buildings, ranging from 6,000 square feet to 12,000 square feet, are modular buildings that were moved to their present locations approximately 30 years ago. This was supposed to be a temporary basis. Upgrading these buildings would take a substantial investment and would not be cost effective.

15. When were the DOH buildings in Tumwater last remodeled?

These buildings were moderately upgraded in the mid-80's and again as part of a lease renewal in 1992. The upgrades consisted of ADA improvements and heating, ventilation, air condition and cooling systems (HVAC).

16. Is the DOH building proposed to be leased or state-owned?

DOH's consolidation proposal recommends a single developer-built building that would be leased with an option to purchase in 2008 after five years. DOH would return to the 2007 Legislature to request authority to exercise the purchase option.

17. Why is additional money needed by DOH for office planning?

The Governor has a two-part request before the Legislature. One part is to authorize GA to procure a lease development building for DOH. The other part requests a \$400,000 capital planning appropriation. These funds will be used to hire a consultant to complete functional and spaces programming, develop performance specifications and the Request for Proposal, and assist in site selection. It will also support GA and DOH project management.

18. Will the legislature be involved again in exercising the state's purchase option on the new DOH building?

Yes. A lease purchase would require a legislative authorization to enter into a financing contract or for Certificates of Participation financing. That authority would be requested in the Governor's 2007-2009 Capital Budget request. Results of the JLARC Lease versus Ownership model would provide life cycle cost information regarding the request.

19. Would there be any transportation, transit or parking differences between a Tumwater site and an Olympia site for the DOH building?

Yes. An Olympia site would require substantially less new parking because of existing parking, more frequent service by public transit, more numerous major and local routes and more opportunities for car pooling because of higher densities of employees. Most transit riders to Downtown have a bus stop within two blocks. The Transportation Agencies Co-Location study concluded that 20% less parking would be required for a Capitol Campus site compared to Tumwater or Lacey. A similar benefit would be expected from a downtown Olympia site located near the Transit Center. A downtown Olympia location also benefits from Olympia's established street grid, multiple Interstate highway accesses and multiple east-west and north-south arterials that reduce intersection congestion.

20. How much empty space will be left behind once people are relocated to the new DOH office?

DOH currently occupies 253,695 square feet of space, all of which would be vacated if DOH consolidated into one building. The vacated space will fall into one of the following categories:

- 1) the space is well suited for use by another state agency or private entity and can be re-leased immediately;
- 2) the space may be well suited for use by another agency, but the owner must first renovate the building bringing it up to state building standards;
- 3) the space is no longer suited for state use; and
- 4) the space will be demolished.

21. Could a lease development occur on the state-owned property next to L&I in Tumwater?

Yes, provided it was of high quality and guaranteed to remain under state control.

22. What is the status of the property reversion to the Port of Olympia for this property?

Under the terms of the 1993 purchase agreement with the Port of Olympia, the Port has the contractual right to reacquire the site at the same price the state paid in 1993 if the state has not started headquarters office building construction by 2003. The Port would have the right to repay the state at low interest over time.

JLARC LEASE V. OWNERSHIP MODEL

23. Why shouldn't the JLARC lease versus own model be the primary decision making tool in deciding how to make leasing and owning decisions?

Cost should be an important factor but not the only factor. As the JLARC staff reminded everyone again in a January 25, 2000 memo, "the model is a tool for providing decision-makers with information on the relevant, quantifiable economic costs associated with alternatives. It is only a tool, however, and decision-makers must still exercise judgment, especially concerning qualitative factors, in making decisions about capital projects." That same memo recommends sensitivity analysis and cautions that the model outputs are no better than the quality of the inputs.

24. Why does the state use a 7% discount rate in its net-present-value calculation instead of the 11% rate suggested by developers?

The developer-proposed 11% rate is recommended in some commercial real estate books. This recommendation is for speculative office space that could be periodically vacant during the life of that building, whereas a state building is seldom even partially vacant for any extended period of time. In fact, GA has conducted a recent project cost analysis that led to a break-even discount rate used by a state lessor in Thurston County. The break-even discount rate used on that specific project was a 6.3 percent - 0.7 percent below the 7% JLARC rate.

Factors that enter into the development of a discount rate are as follows:

- 1) The borrowing rate that for the state is currently approximately 5.75% while the typical lessor borrows at 8.5% – a difference of 2.75%.
- 2) Inflation that is the same for both developers and the state.
- 3) Risk of vacancy that is low for the state and higher for speculative development.
- 4) Other opportunities for investment where developers have a wide range of options for investing their money such as in the stock market. The state has no other investment options.

25. Is the JLARC model working well in helping decision-makers make leasing or construction decisions?

Yes, referring to the same 1/25/00 JLARC staff memo. And GA generally agrees except that different interpretations about JLARC model results frequently have led to decision paralysis or situations where projects are being filtered out by economic factors that otherwise are beneficial to the state's overall business and customer service delivery interests.

LEASING VERSUS OWNING STATE OFFICES

26. Why should the state commit its limited bonding capacity to offices rather than prisons or schools?

For the most part, the state is using reimbursable revenue sources such as agency rents to service Certificates of Participation (COPs) instead of GO-bond funding office construction. Even though COP rates are slightly higher than GO-bonds, they are still substantially less costly than developer financing rates.

27. Is the state still committed to an 80% ownership — 20% leasing ratio of Thurston County office space?

No. The policy over the past few years has been to favor smaller privately developed state leased offices, and the state now has more leased office space than owned office space. As the state completes its 10-year Thurston County space plan over the next 11 months, a new ratio will be proposed. Input from the public, private developers and local government will be sought in establishing this figure.

28. If the state owns its offices, does that mean that state employees will be hired to service and maintain the building?

Not necessarily. Today's law, as reaffirmed by the Washington Supreme Court in the Spokane Case, requires that state employees be used whenever they have typically and historically done that work. That law, as it was applied to the new Ecology Building, allowed the service and maintenance work to be contracted out. The Natural Resources Building on the Capitol Campus required that state employees be hired. The Governor's Civil Service/Collective Bargaining/Contracting Out bill, if enacted, would permit such work to be bid out with state employees eligible to bid on the work.

THURSTON COUNTY LEASING AND OFFICE DEVELOPMENT

29. With today's technology and US West's fiber optic connections between buildings, why is consolidation still so important?

Although technology is a growing and important contributor to agency efficiency and customer service delivery, agencies work best and most efficiently when their employees can walk comfortably between offices, customers can complete their business at one location, scheduled meetings can be eliminated by brief and unscheduled visits, teams can come together spontaneously to solve problems, functions like reception and security can be consolidated, and common spaces such as meeting and lunch rooms can be shared. Even technology can be deployed and supported more efficiently if it's in a single location.

30. With the nature of the modern office changing because of telecommuting and new technology, why would we want to build additional state offices?

Telecommuting and new technology are changing the way offices work and we suspect reducing the rate of growth in office space. These practices and technologies will allow the state to reduce the per capita amount of space, but so long as employment grows and office buildings wear out, additional office space will be required.

31. What is the ratio between new space leased to number of new employee hires? In other words, are the two proportional?

The historical average gross square feet of office space per position in Thurston County is as follows:

Gross Square	
<u>Year</u>	<u>Feet Per Position</u>
1999	262
1998	260
1997	256
1996	257
1995	255
1994	268
1993	278
1992	251

32. Why is the Legislature regularly surprised about the budget increases for new state leases?

Better coordination among state agencies and with OFM, and between the executive and legislative branches is needed. OFM and GA are working on ways to eliminate these surprises.

33. What has been the recent lease rate renewal increases and impacts in Thurston County?

Twenty Thurston County office leases totaling almost 336,000 square feet were renewed in 1999. Annual percent rate increases ranged from 2.6% to 8.2% over the expiring lease rate. The square foot weighted annual average increase was 4.35%. Over the typical 5-year renewal term, the average square foot weighted increase was 23.7%. The JLARC model assumes a 2.5% annual increase.

33. Why can't we lease replacement space in lieu of building an underground Capitol Addition for the displacements that will be caused by the rehabilitation of the Legislative Building?

We could, but that would require legislative staff or key staff of the statewide elected officials housed in the Legislative Building to be moved off campus. Leased space also would not solve the public needs, estimated at 5,350 square feet. This includes public meeting rooms for visiting school groups, visitor services and visitor-related storage.

Appendix B: Editorials from *The Olympian*

From *The Olympian*, Sunday March 19, 2000 – Page A9

Our View

Town center plan a start

Tumwater officials want to reunite their community by creating a town center—a pedestrian-friendly gathering place that will give Tumwater a better sense of identity.

It's a terrific concept, but the plan needs a whole lot of modification and community direction before we can embrace it.

Council members Karen Valenzuela and Pete Kmet detailed their vision in a meeting with *The Olympian's* editorial board last week.

Valenzuela notes that the construction of Interstate 5 in the late 1950s divided the Tumwater community. With a major thoroughfare down the heart of the city, townspeople have had a difficult time seeing themselves as a cohesive community.

Tumwater officials want to change that.

They have identified a multi-acre site bordered on the north by Israel Road, on the south by Airdustrial Way, on the east by Capitol Boulevard and the west by Interstate 5.

They envision four different zoning designations within the district.

City Hall, the new fire station, the library would be in an area zoned "civic." There is room to expand the Tumwater Police Department into its own building, freeing up space in City Hall.

To the west of the "civic" parcel would be an area zoned residential. That section, across Israel Road from Tumwater High School, is largely in residential use today.

The "professional office" zoning would encompass that area adjacent to I-5 where the Department of Labor and Industries headquarters office is located.

The rest of the town center area—the United Parcel Service office and the old modular offices along Airdustrial Way housing state offices—would be zoned mixed use.

That's a broad designation that can include everything from single family homes to office buildings and expanded light industrial development.

Kmet said he envisions no big box retail outlets, but a series of restaurants, office buildings and residences, with wide sidewalks, multi-story buildings and on-street landscaping drawing nearby office workers.

City Administrator Doug Baker said he foresees small, short city blocks and a tight grid pattern of streets.

Valenzuela said she would like to see retail outlets on the ground floor with office space and other uses on upper floors.

The city's planning staff is doing an economic study to see if the vision for the town center is realistic.

Absent from our discussion was any mention of park space or community attractions like a swimming pool or recreation center.

The next step is the creation of a public advisory committee.

We would like to see dozens of Tumwater residents involved in this process.

What we heard—even in this preliminary stage—sounded more like a strip mall than our vision of a town center.

What's important is that Tumwater residents be heard and their collective vision incorporated into the next planning phase.

Call City Hall and volunteer your services. The number is 754-4120.

► OUR VIEWS

Avoid state office sprawl

The State Capitol Committee told Lacey and Tumwater the other day that vacant offices in their communities are not the place to house state agencies.

The old Olympia Brewing Co. brew house in Tumwater, the vacant Sunset Life Insurance building in Tumwater and Lacey Corporate Center were nixed as viable sites for state offices.

The buildings are too isolated, said the four statewide elected officials who serve on the committee.

The signal from the committee is thumbs down to state office space sprawl and thumbs up to consolidation of state offices.

Trying to bring order to an oftentimes chaotic approach to housing state workers is in the best interests of South Sound communities, taxpayers and state employees.

It makes a lot of sense to develop and stick to a plan that identifies preferred sites for developing state office buildings in each of the communities, regardless of whether the space is owned by the state or privately owned.

The state owns some 3.5 million square feet of office space in Thurston County, most of it at the Capitol Campus and satellite campuses in Lacey and Tumwater.

At the same time, the state leases from private developers about 2.8 million square feet of space in Thurston County through 272 leases at a cost of about \$34 million a year.

A debate has simmered — and occasionally boiled over — for years over the pros and cons of state-owned buildings vs. leased office space.

There's no simple formula, no simple answer. Much depends on the length of the lease, type of office space and location.

It's a waste of time to fight about an all-or-noth-

“
STAY THE COURSE ON
EFFORTS TO RESTORE
ORDER TO THE
EXPANSION OF NEW
STATE OFFICE SPACE.
”

ing approach. The state never will have enough money — or political support — to place all state workers in South Sound in state-owned buildings.

But that doesn't mean there shouldn't be some established policies and guidelines for what constitutes an appropriate lease and lease site.

Currently there is no state policy on the quality of the space, its location and compatibility with local growth management goals or financial assurances for developers who lease to the state.

The state Department of General Administration needs such a policy to guide its leasing efforts.

General Administration also is studying the 10-year need for state office space in Thurston County. The results should help state and local officials make better land-use and financial decisions in the years ahead.

This is no trivial matter.

Ten years ago, the state spent \$571,000 to create satellite state campus master plans for Lacey and Tumwater.

But nobody followed through with the plans, political interest in state-owned buildings waned, and developers went elsewhere with their projects.

The net result: Tumwater's vision of a new downtown core area supported by the state satellite campus has eroded away.

Despite this setback, it's not too late to return to the vision of centralized state offices.

If state and local officials work together, they can say no to office sprawl.

No matter what the state does, some developers will fare better than others.

But a consistent leasing policy in conjunction with enforced state master plans would serve our communities well.

Appendix C: General Administration's Use of Certificates of Participation

GENERAL GOVERNMENT REALITIES

1. **GO-bond financed office and warehouse projects can almost never be accommodated within the statutory debt limits.** GO bonds have been used, for the most part, for K-12 schools, higher education, hospitals, community and natural resources grants, and correctional facilities.
2. **State financing contracts reduce current equipment or facility operating expenses immediately or over the next 4-10 years.**
3. **COP financing creates more spending certainty and acts as an inflation hedge.**
4. **Assets are very appropriate "collateral" for borrowing in lieu of the state's full faith and credit.**

GA'S CRITERIA FOR COP PROJECTS

1. **Need is documented.** There is a current and future need for the facility for at least the term of the contract.

The state has been in 5 out of every 6 leases more than 5 years. And we seldom move.
2. **Available funds are certified.** No additional funding is required beyond the tenant agency's current operating budget.

No GA tenant has requested extra funds to meet COP obligations.
3. **Optional uses exist.** Viable options exist for meeting the COP obligation either from other state agencies or the private sector if the benefiting agency no longer needs the facility.
4. **Request process has same rigor and discipline as regular capital budget.** Each requested project has C2 with expanded description, full C-100 cost estimate and full JLARC model analysis.
5. **Investment is sound when requested.** Using the JLARC economic model, the proposal results in positive discounted life cycle cost benefit, budget benefit and/or public benefit. Examples of positive public benefit are favorable location or historic value of the building.
6. **Transaction remains sound until completed.** GA will allow its legislative authority to lapse if the project is no longer cost-beneficial, facility deficiencies are identified or the seller increases the price the state can afford.

GA cancelled 5 of 10 approved COP projects because the projects were no longer sound business investment decisions.
7. **Limited window of opportunity may exist.** Circumstances may require an acquisition sooner rather than later. Examples are contract requirements or lessors wanting to sell.

OTHER ADVANTAGES TO COP FUNDING

1. **Lowers public spending.** The amount to retire the COPs is lower than the amount to continue lease payments.

5 recent GA COP projects over 25 years will avoid \$11.8 million in operating budget spending. These cost avoidances will increase to \$38.9 million over 30 years.

2. **Dampens cost inflation.** COP payments are constant while lease payments increase over time.

Median lease renewals in 5 major markets increased from 16 to 65%.

5-year lease renewal increases in 2000 to date averaged 21.3% (weighted by square foot) or 4% per year compounded.

3. **Creates new public assets.** Money formerly spent on lease payments is converted to state balance sheet.

5 recent GA COP projects will create public assets worth \$32.7 million when COP payments are completed. The value of those assets will be \$35.6 million after 30 years and will continue to increase.

"Return on Investment" of 5 GA COP projects is 24.3%.

Simple payback occurs from 5 to 21 years with 11 years as the median.

4. **User, not the statewide taxpayer, has debt service responsibility.** COP financing places responsibility on the benefiting agency.

\$39.1 million of GO-bond capacity was "freed up" with 5 GA COP projects.

5. **More accurate accounting of program services cost.** All program-related facility costs are accounted for in operating budgets by using COP financing rather than GO-bond financing, where debt service is a responsibility of the state-at-large.

In 2001, \$3.3 million of COP service will appear in agency operating budgets rather than the Treasurer's Debt Service Account for the 5 GA COP projects.

6. **More operating budget self-sufficiency.** Self-financing systems such as COPs, financing cost recovery charges and capital project surcharges (RCW 43.01.091), and internal rents could allow general government office facilities to reduce and eventually eliminate GO bond support altogether.

In FY 2000, GA will collect \$12.8 million directly from agency operating budgets for capital debt service, Thurston County capital project surcharge, or for COP payments.

Implemented Project Information (For 25-Year Period)

Project	Authority	Continue Lease Cost	Ownership Cost (Not including residual value)	Budget Savings (Loss)	Residual Value end of 25 Yrs.	Total Savings (incl. Residual value)
Tacoma Colocation (incl. Ct. of Appeals upgrade financed by GO bond appropriation)	\$16,264,028	\$82,118,572	\$73,415,744	\$8,702,828	\$14,349,525	\$23,052,353
Yakima DSHS Building	\$8,804,000	\$40,544,211	\$41,390,194	(\$845,983)	\$11,648,299	\$10,802,316
Old Thurston Co. Courthouse	\$6,990,000	\$27,657,410	\$24,369,885	\$3,287,525	\$0	\$3,287,525
Old Federal Building	\$2,874,100 (will use \$2,434,100)	\$7,339,188	\$7,866,371	(\$527,183)	\$3,244,511	\$2,717,328
Kelso Colocation	\$4,621,000	\$25,574,380	\$24,332,651	\$1,241,729	\$3,429,549	\$4,671,278
Totals	\$39,113,128	\$183,233,761	\$171,374,845	\$11,858,916	\$32,671,884	\$44,530,800

•Excludes 600 South Franklin Refinancing
•Old Thurston has \$0 residual value since we already owned the building and were only acquiring lease rights

1

Implemented Project Information (For 30-Year Period)

Project	Authority	Continue Lease Cost	Ownership Cost (Not including residual value)	Budget Savings (Loss)	Residual Value end of 30 Yrs.	Total Savings (incl. Residual value)
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Yakima DSHS Building	\$8,804,000	\$52,932,675	\$48,565,501	\$4,367,174	\$12,452,652	\$16,819,826
Old Thurston Co. Courthouse	\$6,990,000	\$35,761,815	\$27,409,592	\$8,352,223	\$0	\$8,352,223
Old Federal Building	\$2,874,100 (will use \$2,434,100)	\$9,489,777	\$9,026,761	\$463,016	\$3,683,419	\$4,146,435
Kelso Colocation	\$4,621,000	\$33,165,941	\$28,877,545	\$4,288,396	\$2,789,043	\$7,077,439
Totals	\$39,113,128	\$237,531,848	\$198,581,850	\$38,949,998	\$35,585,552	\$74,535,550

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2

Quality of the “Business Decision”

- For the five implemented projects the total 25-year lease cost would have been = \$183,233,761.
- 25- Year Net savings (including residual value) = \$44,530,800.
- Return on “investment” of lease costs in certificates of participation = 24.3%.
($\$44,530,800 \div \$183,233,761$)

Lease cost increase assumes 2.5% to 2.8% increase.
Recent trends are for 4% annual compounded rate increases.

3

Alternatively Financed Projects Payback Periods

- The following are the “payback periods” for the implemented alternatively financed projects.
 - Tacoma Colocation - 14 Years
 - Yakima DSHS Building - 5 Years
 - Old Thurston County Courthouse Acquisition - 21 Years
 - Old Federal Building Acquisition - 11 Years
 - Kelso Colocation Office - 8 Years

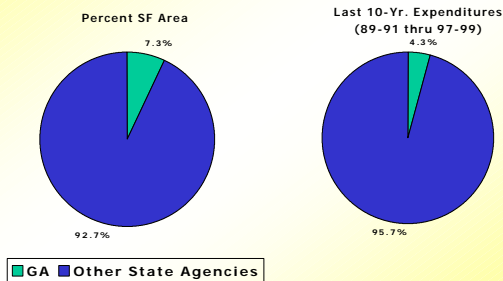
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Cumulative Lease Payments had state continued to Lease

The point at which, if the state decided to liquidate the transaction, it would come out ahead financially.

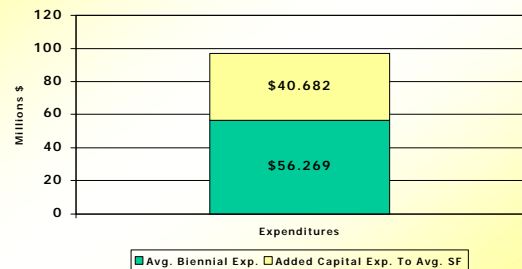
4

General Administration's Portion of State-owned Facilities and Capital Budget (Excludes K-12 & Transportation)



1

If Capital Expenditures had Kept Up with % of Square Footage (Average for 89-91 through 97-99 biennia)



2

To Partially Make Up the Difference General Government has Turned to Alternative Financing Tools

- Puts less demand on Capital Budget resources, freeing up capital resources for corrections, K-12 and higher education.
- Uses the a lease stream and ultimately the value of the asset to guarantee the loan rather than the "full faith and credit of the state."

3

The Reasons There is Less GO Bond Authority Available for General Government Projects

- Added cost of Corrections - both construction and increasing prison population.
- Added unhoused K-12 School enrollment
- Added unhoused Higher Education enrollment
- Added environmental (incl. Water, etc.) projects

4

Those Needs Do Take Priority, But It Means...

- General Government projects probably will not be competitive for GO Bonds and won't be done, unless...
- Alternative tools are used...
- Tools which enable the projects to be done with a dedicated source of funds that doesn't rely on GO Bond financing...
- That is why General Administration has a policy to move, over time, away from reliance on GO Bond financed projects, but will rely on rental fees to generate its capital funds...
- In the meantime General Administration relies on COP's to fund those projects that, although worthy projects, will not and cannot rise to the priority of K-12, prisons, Higher Ed or Salmon.

5

GA Financing Authorities Using Certificates of Participation (Since 93-95 Biennium)

- 93-95
 - 9th & Columbia Building - Not exercised
 - 13th & Jefferson Building - Not exercised
 - Capital Plaza Building - Not exercised
 - Yakima Government Service Center - Not exercised
 - Refinancing of 600 South Franklin Note - Implemented
- 95-97
 - Tacoma Colocation - Implemented
- 97-99
 - Yakima DSHS Building - Implemented
 - Old Thurston County Courthouse Acquisition - Implemented
 - Old Federal Building Acquisition - Implemented
- 99-01
 - Kelso Colocation Office - Implemented
 - Yakima Office Building Acquisition - Not exercised

6

Implemented Certificates of Participation Projects By Biennia *

(\$ Millions)

- 93-95 - \$0.5
 - Refinancing of 600 South Franklin Note - \$0.5
- 95-97 - \$16.3
 - Tacoma Colocation - \$16.3
- 97-99 - \$18.3
 - Yakima DSHS Building - \$8.8
 - Old Thurston County Courthouse Acquisition - \$7.0
 - Old Federal Building Acquisition - \$2.9 (\$2.9 authorized but received building for free, turned back \$0.4 of land acquisition authority)
- 99-01 - \$4.6
 - Kelso Colocation Office - \$4.6

* Authorization only. Excludes financing costs.

7

Implemented Project Information (For 25-Year Period)

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Cumulative Lease Payments had state continued to Lease

The point at which, if the state decided to liquidate the transaction, it would come out ahead financially.

11

What Happened with the Not Exercised Projects?

- Changes can occur that affect the project's cost benefit between authorization and implementation. GA continues to analyze the cost-benefit of the project using the JLARC model during that period. If it finds it is no longer cost-beneficial it will abandon it.
- We found facility deficiencies when we inspected.
- During the interim period the seller changed their minds regarding a sale at the price the state could afford.

12

GA Projects Follow the Budget Process

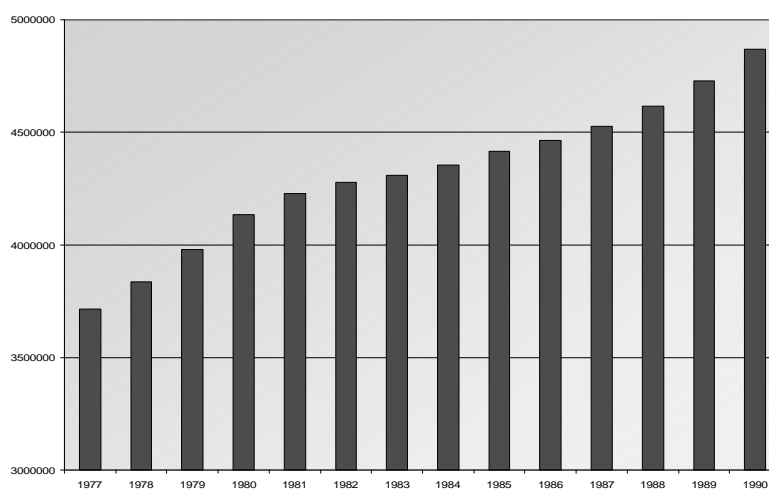
- Projects for alternative financing are requested in the agency's 10-year capital plan
- In accordance with OFM budget instructions, each project request includes:
 - Form C-100 Project Cost Estimate
 - Form C-2 Capital Project Request
 - JLARC lease vs. purchase decision model (updated prior to project implementation)

13

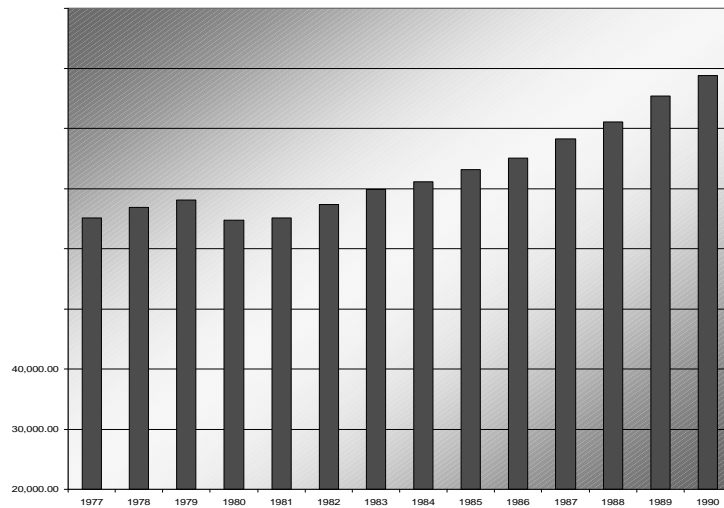
Appendix D: Lease vs. Own Presentation to Council of State Governments

Facilities Decision Making in the state of Washington - Lease v. Ownership Modeling

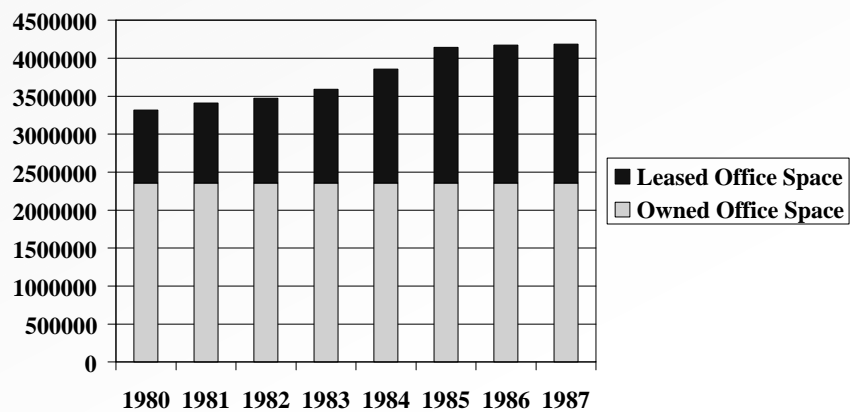
During the 80's the Population of the State



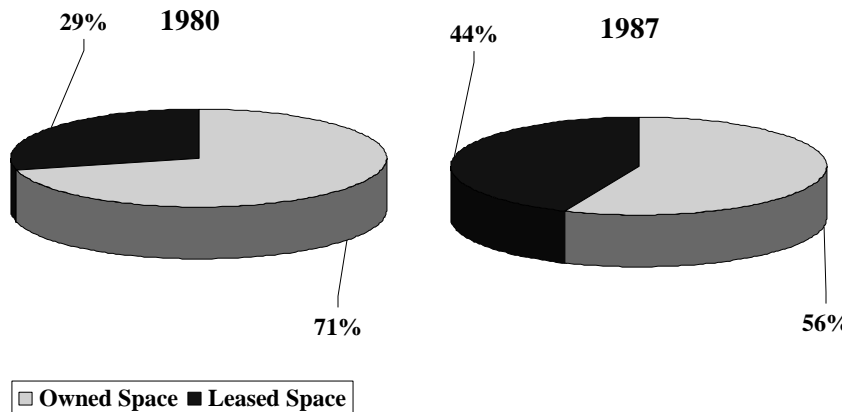
At the Same Time the Number of State Workers Grew



In Thurston County (the seat of State Government) In Response to the Growth in Workers We Added Office Space



But The During That Time,
All Office Space Growth Was In Leased Space



1991 Capitol Master Plan

- Established two additional satellite campus
- Defined limited preferred development areas as locations for state offices.
- In the early 90's the State built one office on each of the two satellite campus plus one more on the main campus.

These Three New Office Buildings Were Built
In An Effort to Save Money and Consolidate Offices

<u>Building</u>	<u>Constructed</u>	<u>Gross Square Feet</u>	<u>Office Shell & Core Cost</u>	<u>Shell & Core per gsf</u>
Natural Resources	July, 1991	354,800	\$33,710,000	\$95.01
Labor & Industries	September, 1991	412,404	\$35,770,000	\$86.74
Ecology	June, 1992	322,695	\$31,865,900	\$98.75

Concerns were Raised About Costs.
And in Response in 1995
A Legislative Audit was Conducted

- Findings of Audit

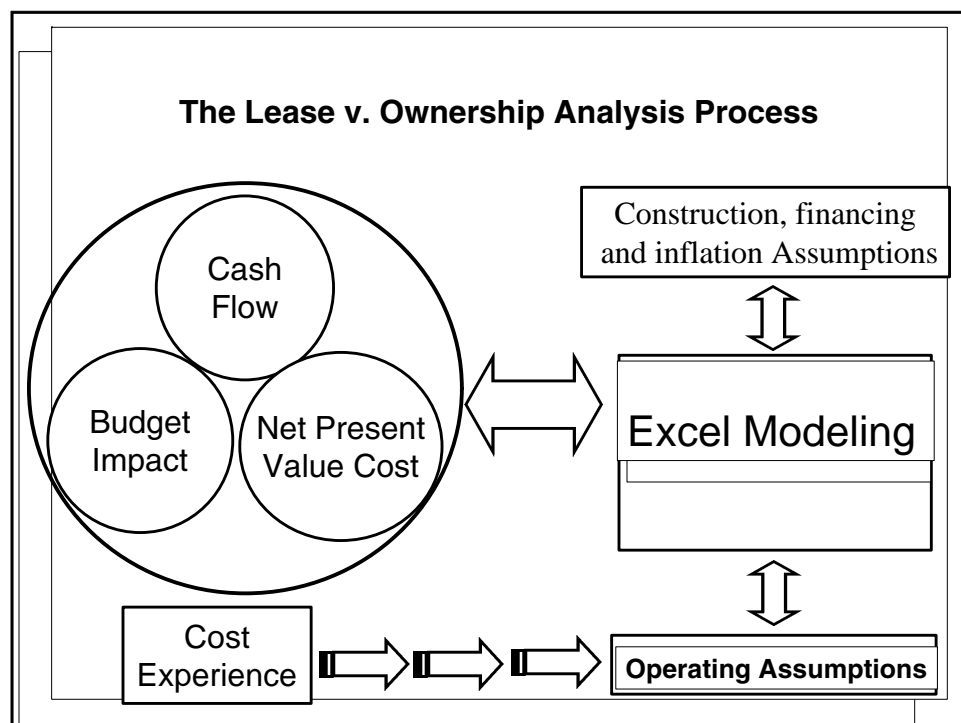
- Given similar facilities, development and operational costs government ownership can result in significant savings.
- If alternatives being compared are not similar then the conventional wisdom that government ownership is less costly

- Recommendations

- Comparisons of alternatives should use the same units.
- All quantifiable costs should be considered.
- Net present value cost analysis, cash flow analysis and sensitivity analysis should be done. The discount rate should be higher
- The state should set aside reserves for major maintenance.

As a Result the Lease v. Ownership Analysis Model was Developed

- Comprehensive
- Structured
- Standardized
- Systematic



- ✓ Facility and amortization: Such factors as land value, building value, depreciable life of building, rentable square feet, planning horizon, detail of repair costs, and initial year of the analysis.
- ✓ Operating cost assumptions: Costs for utilities, custodial, maintenance, security, insurance, management fees, tenant improvements, capital improvements (during occupancy-not initial), parking, and adverse impact of taking a building off the tax rolls (if applicable). There are categories for "Other Costs" as well.
- ✓ Space assumptions: Number of staff who will occupy the space, square feet per staff, other square feet allowances in the building, and vacancy rates in under-

Assumption Categories (Cont.)

- ✓ Financing and revenue assumptions: These include bond interest rate, cost of financing, years financed, discount rate, present "lease" cost if comparisons are being made, base rent from under-utilized space (if any).
- ✓ Moving, equipment and other one-time expenses: Moving expenses, furniture, telephone, data processing and other equipment.
- ✓ Inflation assumptions: Most categories have a unique inflation factor that is applied each year throughout the planning horizon.

Broad ranges of assumption categories are available. The state of Washington uses certain standardized assumptions. However, if an assumption category is not on the standard list the user can make additions and substitutions.

Our operating assumptions for FY 2000

Utilities	\$1.11
Custodial	\$1.11
Maintenance	\$1.28
Security	\$0.56
Liability and Hazard Insurance	
Tenant Improvements	
Capital Replacement Reserve	
Additional Operating Costs - Leased Space	

These are the moving and other one-time cost assumptions (FY 2000)

Moving Expenses	\$222
Furniture	\$3,337
Telephone	\$139
Data Processing	\$139
Other Equipment	\$111

These are the Inflation Assumptions

- Operating costs + 2.7% per year
- Lease costs + 2.5% per year
- One-time costs +2.7% per year

Other Assumptions We Use

Construction cost	Use <i>Means</i> for most
Life of Building	Usually 50 yrs.
Planning Horizon	Usually 25 yrs.
Discount Rate	7%
Financing Rate	6%
Finance Term	25 yrs. Or less
Square Feet	<i>BOMA</i> Rentable
Square Foot/FTE	187 - 251 rsf per FTE

Comparisons

- These outcomes can then be compared across alternatives to determine the preferred choice. Alternatives that can be compared include:
 - ✓Lease v. lease
 - ✓Lease v. purchase
 - ✓Construction v. purchase
 - ✓Construction v. lease
 - ✓One purchase option v. another
 - ✓One construction alternative v. another

Sensitivity Analysis

This process provides the decision-maker with information regarding how changing assumptions will effect the outcome of the project. It allows the decision-maker to ask and have answers for “what if” questions. Sensitivity analysis shows the decision-maker the outcome when particular variables are changed and the degree of change can be measured to show the relative elasticity of the outcome to the variable

Benefits of Sensitivity Analysis

- ✓ Gives decision-makers a wider range for variables so preciseness is not an absolute criteria
- ✓ Helps identify possible savings by changing variables (for example, construction that will extend the useful life of the
- ✓ Allows for backwards calculations (for example, if the comparable lease costs are known the model allows the user to calculate the break even price for an acquisition)
- ✓ Enables the decision-maker to weigh risks of error in

Input - Output Sample

- In the state of Washington model assumption information is entered onto one page and the results of background calculations on those assumptions are shown on that same page.

Agency	Contact	Project Name	Project Number	
		DOH Office Building - Single Phase - State Development		
Assumptions				
			Value in Base Year \$'s	
		<i>Facility & Amortization Assumptions (See "Acquisition Cost" Form For Additional Devel. Costs)</i>		
		Land Value	\$4,600,000	
		Building Value	\$34,941,000	
		Depreciable Life of Building	50	
		Building's Rentable Square Feet	243,190	93% of gsf
		Base Year	2003	
		Number of Years For Analysis	35	
		<i>Operating Cost Assumptions (Use Rentable Square Feet)</i>		
		Utilities (Per Square Foot)	\$ 1.21	
		Custodial (Per Square Foot)	\$	
		Maintenance (Per Square Foot)	\$	
		Security (Per Square Foot)	\$	
		Property Tax Rate (per \$1,000 of AV)	\$	
			\$	
		Parking Costs (Per Square Foot)	\$	
		Tenant Improvements (Per Square Foot)	\$	
			\$ 1.7110	
		Management Fees (Per Square Foot)	\$	
			\$ -	
		Other Oper. Costs-Status Quo (Per Square Foot)	\$ 1.58	Separate savin

Sample Input

Space Assumptions			
	Square Footage Allowance per FTE		
	Other Total Space Allowances in Building		-
	Vacancy Rate on Underutilized Space		
	Base Number of FTE		
Financing & Revenue Assumptions			
	Interest Rate (Percentage)		
	Cost of Financing (Percentage)		
	Present Lease Cost (Per Square Foot)		
	Base rent from underutilized space		
Moving, Equipment & Other One-Time Expenses			
		Value	
	Moving Expenses (Per FTE)	\$0.00	
	Furniture (Per FTE)	\$2,162.59	
	Telephone (Per FTE)	\$0.00	
	Data Processing (Per FTE)	\$906.48	
	Other Equipment (Per FTE)	\$0.00	
		Value	Year
	Moving Expenses (Added to Per FTE-Total)		
	Furniture (Added to Per FTE-Total)		
	Telephone (Added to Per FTE-Total)		
	Data Processing (Added to Per FTE-Total)		
	Other Equipment (Added to Per FTE-Total)		

Sample Input
(Cont.)

Inflation Assumptions			
Facility & Amortization Assumptions			
	Land Value	6.00%	
	Building Value	3.37%	
Operating Cost Assumptions			
	Utilities	2.70%	
	Custodial	2.70%	
	Maintenance	2.70%	
	Security	2.70%	
	Taxes	2.70%	
	Insurance	2.70%	
	Parking	2.70%	
	Tenant Improvements	2.70%	
	Capital Replacement Reserve	2.70%	
	Management Fees	2.70%	
	Other Oper. Costs-Acquisition	2.70%	
	Other Oper. Costs-Status Quo	2.70%	
Space Assumptions			
	Square Footage Growth per FTE	0.00%	
	Other Total Space Growth in Building		
Financing & Revenue Assumptions			
	Present Lease Costs		
	Increase in rents from other tenants		
Moving, Equipment & Other One-Time Expenses			
	Moving Expenses (Per FTE)	2.70%	
	Furniture (Per FTE)	2.70%	
	Telephone (Per FTE)	2.70%	
	Data Processing (Per FTE)	2.70%	
	Other Equipment (Per FTE)	2.70%	
	Moving Expenses (Added to Per FTE-Total)		
	Furniture (Added to Per FTE-Total)		
	Telephone (Added to Per FTE-Total)		
	Data Processing (Added to Per FTE-Total)		
	Other Equipment (Added to Per FTE-Total)		

Sample Input
(Cont.)

Sample Output (Life Cycle Costs & Cash Flow)

Cash Flow-Status Quo	\$241,995,035
Net Present Value-Status Quo	\$75,262,034
Square Foot Rate (Net Present Value)	
Cash Flow-New Proposal	
Amortization Costs	
Moving & Equipment	
Revenue from Underutilized Space	
Repair & Replacement	
Total Cash Flow-New Proposal	\$142,310,796
Net Present Value-New Proposal	
Operating Costs	\$27,263,088
Amortization Costs	\$45,562,481
Moving & Equipment	\$3,531,583
Residual Value	(\$6,443,624)
Revenue from Underutilized Space	
Repair & Replacement	
Net Present Value of New Proposal	
Square Foot Rate - Net Cost/SF (Net Present Value)	\$18.48
Square Foot Rate - Per Square Foot Available (Net Present Value)	\$17.98

Sample Output (Budget Impact)

[illegible]

In Summary the Ownership v. Leasing Decision Model Provides

- ✓ The ability to find easy answers to multiple variable
- ✓ Improved decision-making
- ✓ Faster decision information
- ✓ Assumption validity and reliability
- ✓ Cost savings
- ✓ Trust and confidence by decision makers and those affected

Recent Pressures for Change

- Under housed staff
- Fragmentation
- Lease cost escalation
- Leased facility dispersal outside preferred development areas
- Bond limits and other capital budget
- Cost of facilities renewal

These Pressures Led to a Call for

Thurston County Plan
Scope of Work

- The Current Situation
 - How do facilities affect operations and service?
 - What costs should be considered when making facilities decisions?
 - Overcrowding corrected by moving - when?
 - Effect of fragmentation
- Forecasting Needs
 - Space needs for today
 - Solving today's problems
 - Forecast future space needs

Thurston County Plan
Scope of Work (Cont.)

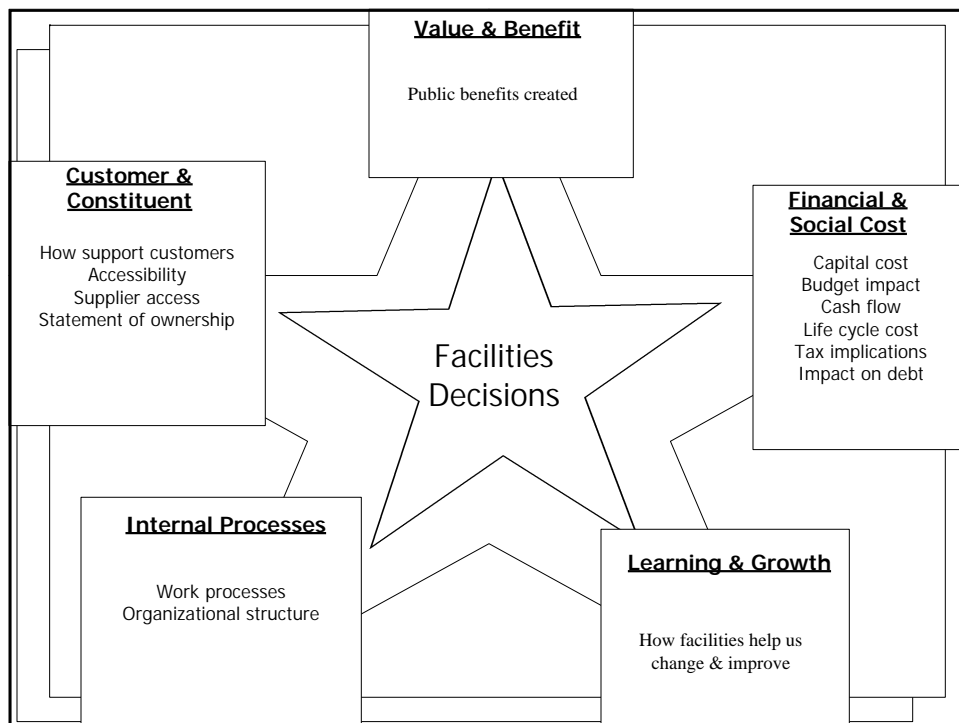
- Facility Standards
 - Owned and leased space standards
 - Technical & design specifications
 - Location factors
 - Decision-making criteria
 - budget
 - financial
 - life cycle cost
- Facility Management
 - What justifies agency move
 - Better coordination of leasing of space
 - Changes to improve state management of existing space

Thurston County Plan
Scope of Work (Cont.)

- Planning new facilities
 - Changes to improve planning, approving, budgeting and siting facilities
 - Procurement process changes
- 10-year Space Plan
 - Policy framework
 - Program framework
 - Project schedule
 - Financing concept

The Balanced Scorecard and State Facilities

- The state of Washington has begun to use the Balanced Scorecard to help with decision making. The following chart depicts questions we are asking regarding our facilities decisions. *Financial and Social Cost* is one aspect of our analysis. Our lease v. ownership modeling is an important building block for that scorecard



More Information

Our Web Link

<http://www.ga.wa.gov/dres/LeaseModel.htm>

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Appendix E: Capitol Campus Design Advisory Committee (CCDAC) and State Capitol Committee (SCC) Briefing Materials

STATE CAPITOL COMMITTEE
JANUARY 6, 2000

STATE CAPITOL MASTER PLAN REVISION

Purpose: Information

The purpose of this agenda item is update the SCC on Thurston County lease and space planning over the past seven months which relates to *The Master Plan for the State Capitol (1991)* and request SCC concurrence with GA's plan to site the Department of Health consolidated headquarters building in a Preferred Development Area if the Governor's Supplemental Budget Request is authorized by the legislature. Grant Fredricks, General Administration's Deputy Director, will make the presentation.

BACKGROUND

On March 25, 1999, SCC received an informational briefing on GA's effort to establish a clearer policy to support cost-effectiveness and efficiencies in state leased facilities in Thurston County. On June 3, 1999, SCC was presented a proposal (Attachment 1) to amend *The Master Plan* by including a Thurston County Leasing Policy with new areas identified as "Preferred Leasing Areas. GA worked with local jurisdictions on the development of the policy.

SCC discussed the proposed policy but deferred action pending more work by GA and the results of a study by the House Capital Budget Committee. That work is now complete and the Committee's report included as Attachment 2.

SCC was also briefed on headquarters building planning just being started by the Department of Health. That planning concluded that a 261,500 square foot office building was needed by 2003 to consolidate the agency from its 21 Thurston County leased office sites.

The Governor's supplement budget released on December 16, 1999 requests authority for the Department of General Administration to procure a single replacement leased Thurston County facility with an option to purchase, and requests a \$400,000 capital appropriation to support project planning. If authorized by the legislature, GA recommends that the building be located in a Master Plan-designated Preferred Development Area since that state intends to eventually purchase the building. A proposed motion is at Attachment 3.

As GA worked on Preferred Leasing Areas and lease planning, local jurisdictions more clearly refined areas they had earlier identified as Preferred Development Areas (i.e., areas within their cities that they preferred that the state build to own). Within those areas, the cities and the Port of Olympia also helped GA identify sites that *might* be able to accommodate the proposed Department of Health project. Those areas and sites are further identified behind the proposed motion at attachment 3.

The organizing principles of the 1991 Master Plan have been re-affirmed over the past seven months of lease and space planning by GA, other state agencies and the legislative fiscal committees.

- ◆ Cooperation and partnerships between the state and its host communities.
- ◆ Development according to sound growth management principles, including mixed uses and urban densities.
- ◆ Linking land uses to regional transportation systems.
- ◆ Reducing transportation impacts of growth through careful siting.
- ◆ Need for comprehensive planning and clear standards.

A leasing policy framework for the Leasing Policy envisioned in the 1991 Master Plan has begun to emerge:

- ◆ Coordinating future space needs to better co-locate and consolidate state facilities.
- ◆ Identification of *preferred development* (oriented toward but not necessarily limited to state ownership) and *preferred leasing areas* (oriented on private development and ownership).
- ◆ Agreement on performance, space and cost standards for both state owned and state leased offices.
- ◆ Development of transportation demand management strategies and consistent parking management practices.
- ◆ Executive and legislative coordination of state leasing decisions with special emphasis on better managing budget impacts.

GA will present a proposed Lease Policy amendment to the *Master Plan* at the next SCC meeting. It will include an updated *Preferred Leasing Area* policy initially proposed on June 3, 1999.

This is the Final of the **Preferred Leasing Policy** proposal presented to the State Capitol Committee on June 3, 1999 as an addendum to *The Master Plan for the State Capitol*.

Policy Intent:

One of the important goals of *The Master Plan for the State Capitol of 1991* (Plan) is “the coordination of government facility needs with adjoining communities through urban redevelopment and the creation of satellite campuses”. The Plan calls for “new construction (of state office buildings) to be concentrated in three preferred development areas” in Lacey, Olympia, and Tumwater and promotes consolidation and co-location of state office facilities, transportation demand management and growth management principles. In addition, the Plan calls for a leasing strategy to be devised “to improve the cost-effectiveness and manageability” of leased property.

While the Plan identifies areas for the development of state owned offices, it provides no clear direction for office space leased by the state. This Preferred Leasing Policy is being added to the Master Plan for the State Capitol to provide clear direction on the leasing of state office space in Thurston County that is consistent and compatible with the objectives of the Plan.

Preferred Leasing Policy: *The State shall promote the leasing of state office space in Thurston County in the Preferred Leasing Areas identified by the cities of Lacey, Olympia and Tumwater.*

Preferred Leasing Areas

The local governments of Lacey, Olympia and Tumwater have identified the following areas (see attached maps for specific boundaries) as Preferred Leasing Areas (PLAs):

1. Lacey:
 - (a) The Woodland Square area, bounded by Golf Club Road on the west, College Street on the east, Pacific on the south and 6th Avenue on the north
 - (b) The Saint Martins satellite campus area around the Department of Ecology, south of Martin Way at Desmond Drive, west of Woodland Creek, generally north of 6th Avenue SE extended and east of the Saint Martins meadows wetlands.
 - (c) The Lacey Corporate Center, bounded by College Street to the east, Yelm Highway to the south, the Chehalis Western Trail to the west and the Corporate Center Apartments to the north, except for the 20 acres zoned Community Commercial at the northwest corner of College Street and the Yelm Highway.
2. Olympia
 - (a) The downtown core, defined by Capitol Lake on the west, Eastside Street on the east, 14th Avenue on the south and Budd Inlet on the north.

3. Tumwater

- (a) The Sunset Life/Brewery area, bounded by Capitol Boulevard and Sunset Way; south along Sunset Way on the north, North Street-Custer Way and Capitol Boulevard on the south; and the Deschutes Parkway and the Deschutes River-Capitol Lake on the east.
- (b) The Tumwater Campus area (now referred to as the Tumwater Town Center), extending north along Capitol Boulevard to Dennis to include the Point Plaza West office development on the west, the proposed office development site south of the Peter G. Schmidt Elementary School on the east and extending further east to Bonniewood Drive, north of Airdustrial Way; east of Interstate 5; and south of Israel Road to the Point Plaza West development.
- (c) The Linderson Way area, including the general commercial zone beginning just north of Tartan Drive.

The Preferred Leasing Policy will achieve the goals of *The Master Plan for the State Capitol* by implementing policies and procedures that:

- 1. Support growth management principles and the Comprehensive Plans of the cities of Lacey, Olympia and Tumwater by promoting state office leasing in Preferred Leasing Areas (PLAs).
- 2. Promote consolidation and co-location of state office facilities through coordinating with agencies and local jurisdictions.
- 3. Support the development and implementation of transportation demand management and commute trip reduction programs at state agency worksites.
- 4. Provide authority to the Director of General Administration to waive any of the leasing policies and/or procedures when state operations would be adversely affected.

STATE CAPITOL COMMITTEE
JANUARY 6, 2000

Attachment 3

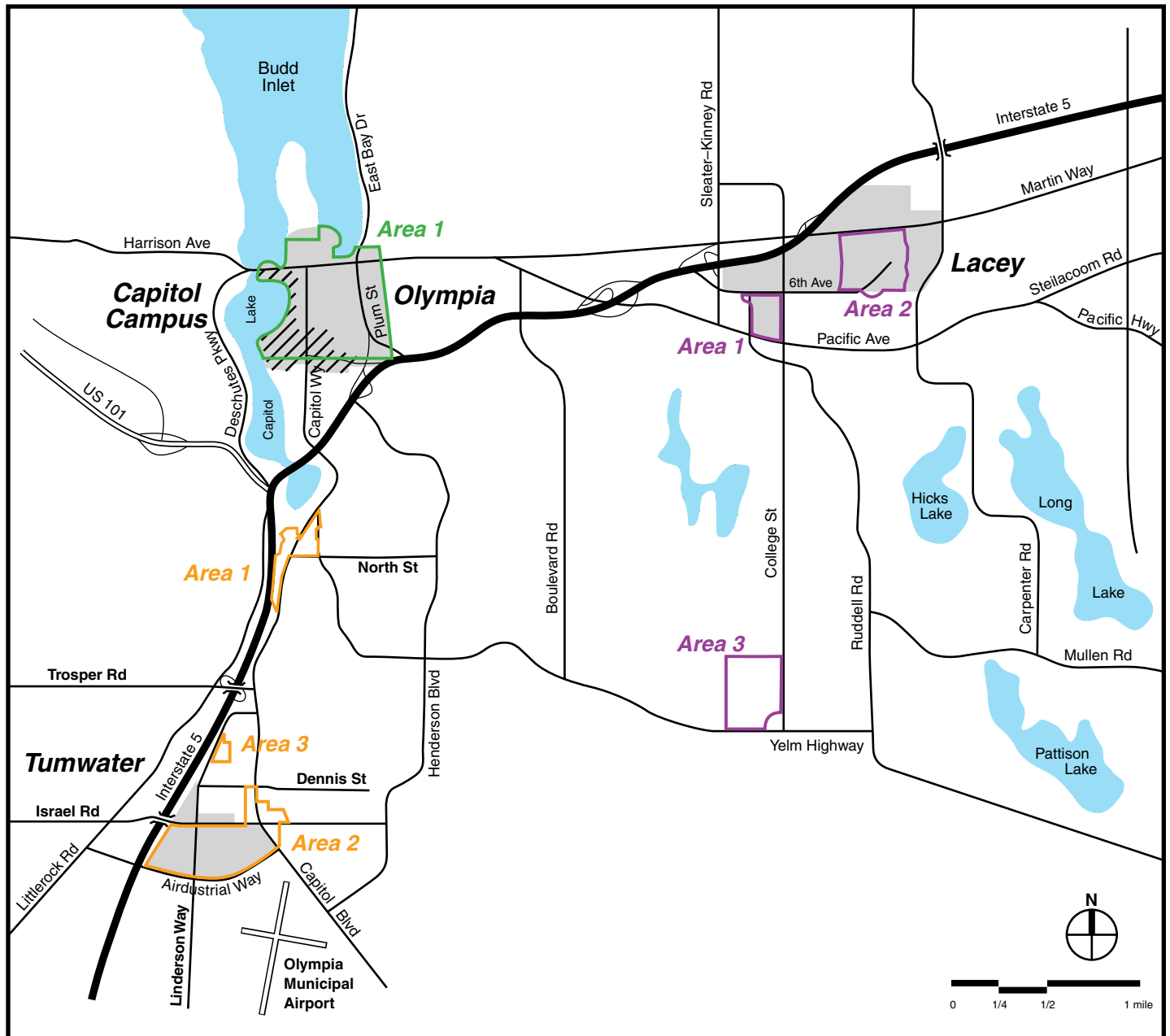
SITING THE PROPOSED DEPARTMENT OF HEALTH HEADQUARTERS

DRAFT MOTION:

The State Capitol Committee directs that a new Department of Health headquarters, if authorized by the legislature, be located in a Preferred Development Area as defined by The Master Plan for the State Capitol.

Preferred Lease and Development Areas

Thurston County



State Capitol Campus

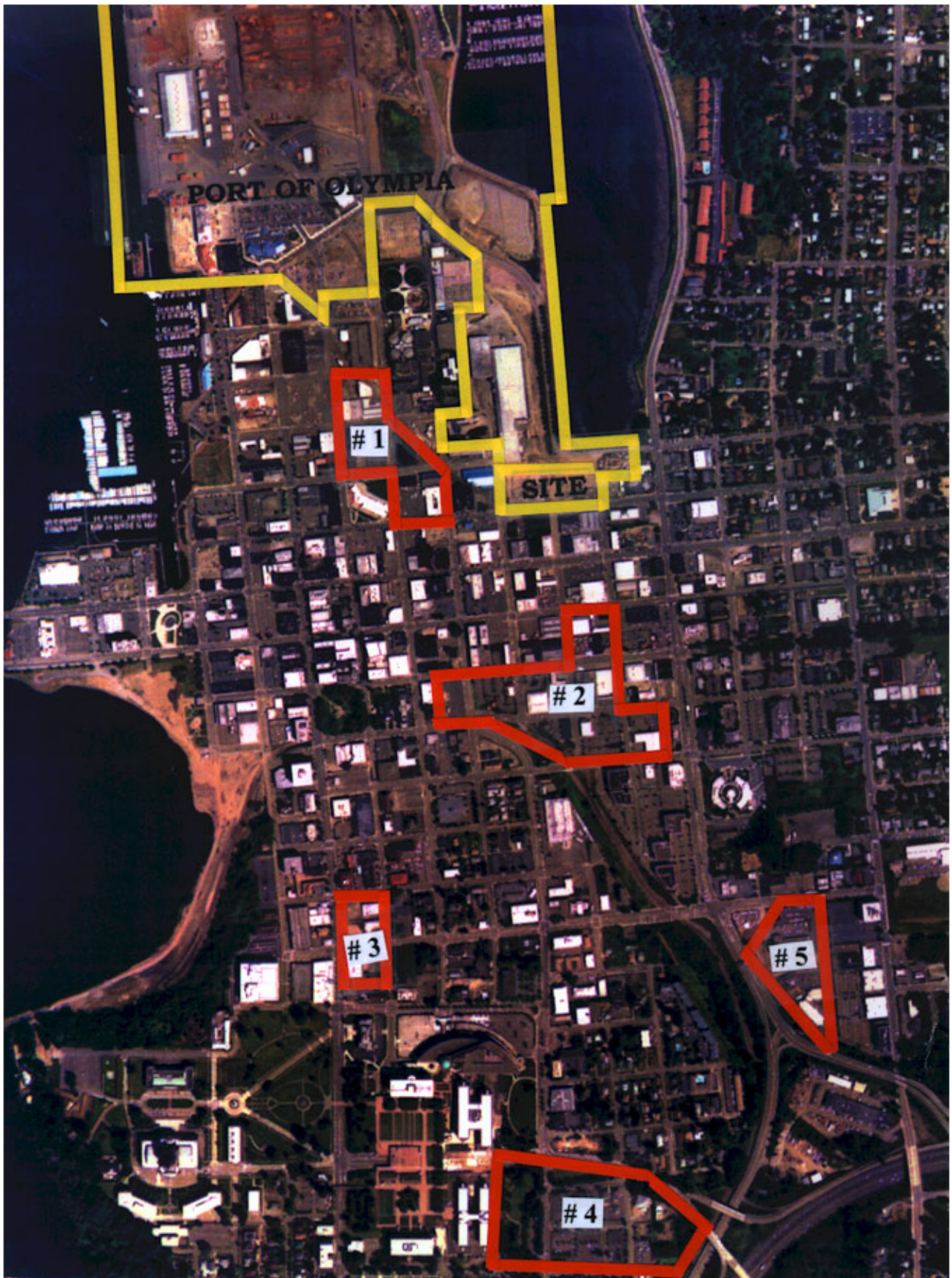
Preferred Development Area for a mix of State Office and Private Development

Preferred Leasing Areas

Olympia

Lacey

Tumwater



State Capitol Committee
January 6, 2000

Members Present: Lieutenant Governor Brad Owen
Marty Brown, Director, Office of Financial Management
Governor Locke's Designee
Secretary of State Ralph Munro
Commissioner of Public Lands Jennifer Belcher

Members Absent: None

Business Meeting

Lt. Governor Owen called the meeting to order at 10:00 a.m. and informed the Committee that Governor Locke was unable to attend the meeting and that Mr. Brown, Director of the Office of Financial Management, would represent the Governor. He announced that the agenda was published in the *Seattle Daily Journal of Commerce* and *The Olympian*.

Lt. Governor Owen asked for approval of the June 3, 1999, State Capitol Committee (SCC) meeting minutes. The minutes were approved as written.

Mr. John Lynch was introduced to the SCC members. Mr. Lynch is the Assistant Director for the Division of Engineering and Architectural Services, Department of General Administration. He will be attending future SCC meetings.

Mr. Levitt White was introduced as the son of Mr. Harry K. White, the architect for the State Capitol Group buildings. Mr. Levitt White is an honorary member of the Legislative Building Preservation & Renovation Commission.

Legislative Building Preservation & Renovation Commission Recommendation

Ms. Patricia McLain, Program Manager with General Administration, led the discussion regarding the Legislative Building Commission's Recommendation and asked the members to endorse the Legislative Building Rehabilitation and Capitol Addition Plan.

Ms. McLain reminded the committee that on April 23, 1999, the Legislature passed House Concurrent Resolution 4410, establishing a Commission to identify a plan and resources for the preservation and renovation of the State Legislative Building. The twenty-one members included elected officials, senators, representatives, and citizen members appointed by the Governor.

The Legislative Building Rehabilitation and Capitol Addition Plan will be submitted to the Legislature during the 2000 session at the Legislature's direction.

The plan proposes the following work on the Legislative Building:

- Repair and replace heating, ventilation, air conditioning, plumbing & electrical systems
- Strengthen seismic reinforcement
- Improve access and safety in the building and the adjacent site
- Repair and protect the building exterior

- Construct an adjacent Capitol Addition. This addition is the only new construction included in the project.

Ms. McLain reviewed the four elements of the draft motion prepared for SCC's consideration, and stated that the draft motion concurs with the recommendation of the Legislative Building Preservation & Renovation Commission. The total cost of the project, including state and private financing, is \$111 million. The state-funded portion is \$105.5 million. The following components compose the total project budget:

1. Repair, replace and install modern heating, cooling, electrical, fire safety systems; clean, treat and repair exterior sandstone; improve the adjacent site - \$85.9 million.
2. Complete space use programming, investigate sandstone attachment, and conduct a feasibility study of private financing - \$1 million.
3. Construct a new Capitol Addition adjacent to the Legislative Building to meet needs for public space, relocation of displaced space, consolidation of state agencies and temporary relocation during construction - \$18.6.
4. Support the establishment of a private foundation to engage the public in the preservation of the Legislative Building and raise \$5.5 million (5%) in private donations for restoration work considered primarily aesthetic, and for related public education.

Ms. McLain furnished a rendering of the Conceptual Site Plan for the Capitol Addition, which illustrates the 37,000-square-foot below grade capitol addition and potential skylight locations.

Ms. McLain reviewed two options for making policy decisions related to the planning, design and construction of the Legislative Building Rehabilitation and Capitol Addition Plan. Guidance will be needed on space use and private donations. The options include a State Capitol Sub-committee or an Executive Tenant Committee. Both options would be supported by the Capitol Campus Design Advisory Committee (CCDAC) and an advisory tenant committee, which would include representatives of all the tenant agencies in the Legislative Building.

Secretary Munro suggested adding the word "furnishings" to the draft motion regarding the private foundation.

Secretary Munro suggested that GA determine what \$7.5 million (the cost to construct the Legislative Building in 1927) is in today's dollars. The value of the building in today's dollars is a lot more than \$105 million and would help to put the costs of the renovation project into perspective.

Secretary Munro and Commissioner Belcher asked the following questions about the design of the Capitol Addition:

- How will people access the new addition?
- How will the addition change the South Portico (landscaping, aesthetics, etc.)?
- What parts of the addition will be visible?

Ms. McLain indicated that she would provide the requested information to Secretary Munro and Commissioner Belcher.

Lt. Governor Owen supported the establishment of a Tenant Committee. He suggested that a Supreme Court representative be added as a member of the Tenant Committee.

Secretary Munro suggested that leadership from the House and the Senate should be involved in the Tenant Committee.

Commissioner Belcher supported the establishment of a Tenant Committee for continued guidance. She also indicated that it might be difficult to involve elected officials in the committee due to the election year. She suggested inviting leadership on a regular basis to SCC meetings to keep them apprised of current issues.

Marty Brown strongly supported the Tenant Committee option and suggested that all members of the Tenant Committee be allowed to appoint a designee to attend in their place.

The committee reached consensus to support the Tenant Committee option for making policy decisions related to the planning, design and construction of the Legislative Building Rehabilitation and Capitol Addition Plan.

Commissioner Belcher suggested providing ADA access underground in the new addition, due to the long traveling distance between the buildings. She indicated that if an egress is built underground, it would be an opportune time to review the costs of including enclosed/covered ADA access.

Commissioner Belcher expressed concern with the dedicated timber revenues and cautioned that DNR does not know what the future will hold. DNR conducts a forecast on a quarterly basis because the timber market changes frequently. DNR can provide a projection into the year 2013, but cautions that it is only an estimate that relies on various issues, and that there is no guarantee of funds from the timber revenues. Commissioner Belcher also cautioned that the timber market itself is not predictable, and that as the population grows in Washington State, it is increasingly difficult to harvest timber.

Marty Brown and Secretary Munro suggested amending the draft motion to read the SCC “*concurs with and supports*” in place of the word “*approves*.”

Lt. Governor Owen thanked Ms. McLain for her outstanding work supporting the Legislative Building Preservation and Renovation Commission. Lt. Governor Owen asked for additional comments. None were provided.

The State Capitol Committee unanimously passed the following motion:

The State Capitol Committee concurs with and supports the recommendations of the Legislative Building Preservation & Renovation Commission for the rehabilitation of the Legislative Building. The recommendations include:

- *Complete rehabilitation of the Legislative Building and construction of a new Capitol Addition adjacent to the building.*
- *Authorization and financing of the \$105.5 million public portion through bonds repaid with dedicated timber revenue and agency rent revenue.*

- *The establishment of a private foundation to raise funds primarily for restoration of the building and furnishings, and for public education purposes.*
- *The inclusion of legislative leadership in policy-level decision making, and professional preservation experts and citizen representatives in an advisory capacity during all aspects of the project.*

State Capitol Master Plan Revision

Mr. Fredricks, General Administration's Deputy Director, presented an update on the Thurston County lease and space planning as it relates to *The Master Plan for the Capitol of the State of Washington*. He requested SCC's concurrence with GA's plan to site the Department of Health consolidated headquarters building in a Preferred Development Area, provided that the Governor's Supplemental Budget Request is authorized by the legislature.

On March 25, 1999, SCC received an informational briefing on GA's effort to establish a clearer leasing policy that would support cost-effectiveness and efficiencies in state leased facilities in Thurston County.

On June 3, 1999, SCC considered a proposal to amend *The Master Plan for the Capitol of the State of Washington* by including a Thurston County Leasing Policy with newly identified Preferred Leasing Areas. GA had worked with local jurisdictions on the policy's coordinated approach towards state leasing. SCC discussed the proposed policy but deferred action pending results of a House Capital Budget Committee study. A State Leasing Policy subcommittee completed the report and submitted it to the Capital Budget Committee on December 2, 1999.

SCC was briefed on planning just being started by the Department of Health to construct a headquarters building. The planning concluded that a 261,500 square-foot office building is needed by 2003 to consolidate the agency from its 21 Thurston County leased office sites.

The Governor's supplement budget released on December 16, 1999, requests authority for GA to procure a leased Thurston County facility with an option to purchase, and requests a \$400,000 capital appropriation to support project planning. If authorized by the legislature, GA recommends that the building be located in a Master Plan-designated Preferred Development Area since the state intends to eventually purchase the building.

GA and local jurisdictions have more clearly defined the Preferred Development Areas outlined in *The Master Plan for the Capitol of the State of Washington*. The organizing principles of the Master Plan have been re-affirmed over the past seven months of lease and space planning by GA, other state agencies and the legislative fiscal committees. Those organizing principles are:

- Cooperation and partnerships between the state and its host communities.
- Development according to sound growth management principles, including mixed uses and urban densities.
- Linking land uses to regional transportation systems.
- Reducing transportation impacts of growth through careful siting.
- Need for comprehensive planning and clear standards.

A framework for the Leasing Policy that is envisioned in the 1991 Master Plan has begun to emerge:

- Coordinate future space needs to better co-locate and consolidate state facilities.
- Identify Preferred Development Areas (oriented toward but not necessarily limited to state ownership) and Preferred Leasing Areas (oriented toward private development and ownership).
- Agree on performance, space and cost standards for both state-owned and state-leased offices.
- Develop transportation demand management strategies and consistent parking management practices.
- Coordinate executive and legislative decisions on state leasing with special emphasis on better managing budget impacts.

GA will present a proposed Preferred Leasing Policy amendment to the Master Plan at the next SCC meeting. The Master Plan will include an update on the Preferred Leasing Policy initially proposed on June 3, 1999.

Mr. Fredricks reviewed the Preferred Leasing Policy, identifying the Preferred Leasing Areas for Lacey, Olympia and Tumwater:

- Lacey: Woodland Square, Saint Martin's satellite campus, and the Lacey Corporate Center.
- Olympia: The downtown core, defined by Capitol Lake, Eastside Street, 14th Avenue, and Budd Inlet.
- Tumwater: The Sunset Life/Olympia Brewery area, the Tumwater Campus, and the Linderson Way area.

Mr. Fredricks indicated that local governments and GA would continue to refine the Preferred Leasing Areas by finding the right balance between the needs of the state and local jurisdictions, including the ability for local jurisdictions to exercise influence over areas they want to make off-limits to state leasing.

Secretary Munro indicated that he is opposed to developing the Lacey Corporate Center. SCC previously reviewed that site and was opposed to it then. Secretary Munro stated that SCC should continue to discourage any development of state offices in that area because it would increase transportation problems on the Yelm Highway.

Secretary Munro supported the Tumwater Campus area.

Commissioner Belcher stated that it is appropriate for the local jurisdictions to identify where they want development to occur, but the SCC needs to base decisions and recommendations on the needs of state government as well. She emphasized that although there may be areas on a map identifying the local jurisdictions' Preferred Development Areas, the SCC doesn't necessarily support development in those areas. She recommended that SCC publish its own map of Preferred Development Areas so that expectations are clarified. The Committee already followed a deliberate process to identify Preferred Development Areas and support communities in directing growth to those areas. It doesn't make sense to go outside those areas unless it supports the needs of state government.

Mr. Fredricks stated that Lacey is asking to narrow the boundaries in one of the Preferred Development Areas identified in 1990. The central business area that was originally identified for state government is now an area that Lacey wishes to preserve for retail. Lacey wishes to direct state development to the 40 acres of state owned property at Saint Martin's.

Mr. Fredricks mentioned that proposals for the Tumwater area include the Sunset Life Building, the Old Brewery House and the Carpet Exchange Building.

Commissioner Belcher stated that the Old Brewery and the Sunset Life Buildings do not meet the goals that SCC established for state office buildings. They are not appropriate due to location and building standards.

Commissioner Belcher recommended that SCC reiterate the principles already stated in the Master Plan for the location and development of state facilities in Thurston County. If the state needs more space than is available in the Preferred Development Areas, a Request for Proposals should be placed with the local communities. The Old Brewery could not accommodate the transportation demands of hundreds of state employees. When the original Master Plan was developed, SCC wanted to concentrate growth in areas served well by public transportation that could accommodate a significant number of employees. The state should not lease facilities simply because they are available buildings in a community. SCC needs to clarify the state's criteria for preferred development.

Secretary Munro recommended that GA develop a map that shows the leasing areas preferred by local government and the leasing areas preferred by the state. He indicated that he had no objection to the Woodland Square area and commended Lacey on their downtown planning process.

Secretary Munro and Mr. Brown supported Commissioner Belcher's proposal to clarify the state's principles and policies and to adopt a supporting map that would ensure clear communications.

Mr. Fredricks analyzed some of the sites in the Preferred Development Areas according to their ability to support a large state office project. The area that the City of Olympia is most interested in, near the downtown transit center, presents some partnership opportunities. A parking garage could be developed by an entity other than state but could serve state offices. The location could take some pressure off LOTT, support the Port of Olympia and Farmer's Market, and be contiguous with the public transit center. GA will continue to work with the City and Port of Olympia to explore the proposal.

Commissioner Belcher added a note regarding the memorandum from the State Leasing Policy Subcommittee. On page three they recommend that the legislature endorse the continued use of the JLARC (Joint Legislative and Audit Review Committee) model to provide cost information about leasing and ownership alternative for state facilities. Commissioner Belcher stated that the JLARC model is a 25-year model that does not give a fair comparison of costs. Most private sector facilities are built to last for only 25 years. She indicated that it would not be until after the bonds have been repaid that the value of state-built long-term ownership can be seen. Commissioner Belcher suggested that it is important to comment on the *true* long-term costs and benefits of building verses leasing.

Mr. Fredricks indicated that there is a recommended, but not a required, time frame for analysis. GA completed analyses on the Department of Health for a 25-year period and a 35-year use. He indicated that the JLARC model allowed use of whatever assumptions were most appropriate. OFM tells the executives agencies what assumptions to input for planning purposes. OFM has the flexibility to establish the evaluation criteria.

Mr. Fredricks requested that SCC concur with GA's plan to site the Department of Health consolidated headquarters building in a Preferred Development Area if the Governor's Supplemental Budget Request is authorized by the legislature, with the understanding that at some point the state would acquire the property.

The State Capitol Committee passed the following motion:

The State Capitol Committee directs that a new Department of Health headquarters, if authorized by the legislature, be located in a Preferred Development Area as defined by The Master Plan for the State of Washington.

Secretary Munro expressed a hope that the public realizes that this motion is based on many years of research, including public transportation criteria, safety, good public planning and a wide variety of other considerations.

State Capitol Committee - Administrative Business

Ms. Miller, General Administration's Capital Programs Manager, presented the dates and planned agenda items for SCC meetings for the calendar year 2000.

Mr. Brown proposed that the March - April meeting be scheduled after April 1. He indicated that the legislature is scheduled to be out of session on March 9, followed by a 20-day bill-signing period that ends April 1.

The State Capitol Committee members approved the scheduling of four committee meetings for the remainder of the calendar year 2000:

- *April 1 through April 15*
- *June 1 through June 30*
- *October 1 through October 31*
- *December 1 through December 29*

Other Business

In response to Secretary Munro's request for updates on Capitol Campus projects, Ms. Miller briefed the committee on the following projects:

The World War II Memorial is essentially complete, with a few items to be finished this spring when the weather is more favorable. GA is finalizing an operating agreement with the Department of Veteran Affairs.

The Law Enforcement Memorial proponent is continuing with fund raising. GA has been working with their geo-technical engineer and with the DNR staff regarding hillside stabilization issues. GA is working with CCDAC on design issues and will proceed once engineering and funding issues are resolved. The engineering issues might affect the amount of funds needed to stabilize the hillside.

The Millennium Carillon proponent is continuing with the fund raising. GA has been informed recently that the Millennium Carillon Association is beginning to select a designer, which will be presented to CCDAC for guidance.

Heritage Park will begin the second phase of construction in the summer of 2000 to finish the Arc of Statehood. GA is working with local jurisdictions to examine opportunities for improving local sewer and water systems. This opportunity to work with local jurisdictions will reduce costs for Heritage Park and for local improvements. GA has begun use-programming work that will be used in design for future

phases. As part of this work, GA will solicit input from western and eastern Washington communities about the future use of Heritage Park.

Ms. Miller indicated that grass is growing at Heritage Park and is intended to provide a temporary ground cover until the park is fully developed.

In September 1999, GA was informed that the Governor's office received an invitation from the US Department of Agriculture for Washington State to participate in a Millennium Grove program. The program would provide the state 100 trees to establish a Millennium Grove, possibly within Heritage Park.

Commissioner Belcher recommended that GA provide a one-page synopsis on current capitol campus projects to update members at future SCC meetings.

Regarding earthquake proofing the Legislative Building and anchoring down the sandstone, Secretary Munro suggested that GA and/or the design consultant prepare a list that would prioritize the stones that need to be anchored down.

Secretary Munro recommended that the aluminum top on the Legislative Building's lantern be removed when restoration work is done on the building.

Secretary Munro recommended planning for the artwork for the pedestals in front of the Legislative Building.

Secretary Munro suggested that GA research available property in Thurston County that the state could purchase. He indicated that the Olympia and Tumwater school districts are projecting where they want to be in 10 or 15 years and are purchasing property now.

Commissioner Belcher stated that she would review the parameters governing the purchase and exchange of property using capital trust lands. She indicated that there are some strict parameters in the constitution, but there may be flexibility to use trust lands to acquire properties.

Mr. Fredricks indicated that GA has three years to develop the property just south of L&I before the original owner has the communal lateral right to reacquire the property at the original purchase price.

Lt. Governor Owen asked for remaining remarks from the committee. None were presented and the meeting adjourned at 11:25 a.m.

STATE CAPITOL COMMITTEE
APRIL 17, 2000

THURSTON COUNTY SPACE NEEDS STUDY
PURPOSE: INFORMATION

The purpose of this agenda item is to:

- Review the 1991 Capitol Master Plan.
- Update the State Capitol Committee on GA's legislative direction regarding Thurston County lease and space planning.
- Review GA's schedule for producing their December 2000 report and recommendation to the legislature.
- Discuss how the State Capitol Committee will help shape the outcome of this planning effort, and provide background information from GA staff and other interested parties.

Grant Fredricks, Deputy Director for General Administration, will lead the presentation.

MASTER PLAN FOR THE CAPITOL OF THE STATE OF WASHINGTON - HIGHLIGHTS

The 1991 *Master Plan* sets forth a 20-year guide for construction, expansion and acquisition of property on campus, in the Capital City of Olympia and in the Capital Community of Lacey and Tumwater.

Preferred Development Areas. The Master Plan calls for new construction to be concentrated in three preferred development areas:

- ❑ The Capitol Campus
- ❑ Olympia, the Capital City
- ❑ Lacey and Tumwater, the Capital Community

Instead of relying on leased space simply because it is available, state agencies in the Preferred Development Areas should be placed on sites specifically chosen to best serve their functions.

Creating Satellite Campuses. State government, according to the Master Plan, shall not impose itself upon these communities but live, work and interact with and alongside the communities and their people and enterprises.

New offices in Tumwater and Lacey are not conceived as islands of state government, but rather as fully-integrated sectors of these cities. They are intended to concentrate employees in a small area to support community services such as retail, restaurants, banking, dependent care, pedestrian access and housing. They should encourage alternatives to single-occupancy vehicles, such as public transit. Satellite campuses should involve a mix of private, local and state government buildings to achieve a variety of land uses.

Satellite campuses in Tumwater and Lacey were envisioned for 800,000 to 1 million square feet of development (4,000 to 5,000 state and private employees) to provide for efficient public transit and ridesharing alternatives and to support services as well as retail business.

This Master Plan was prepared in partnership with local government, and each of these cities has taken steps to integrate the Master Plan recommendations into their respective community plans. The satellite campuses have been placed within each of these preferred development areas.

Facility Development. From the 1990 base of 18,000 employees, state employment in Thurston County was forecast to grow to between 20,200 and 27,500 employees by 2010. State employment in September 1999 was 24,229.

Sequencing Projects. Any negative effects on local lease markets should be minimized by gradually reducing the amount of leased space occupied by the state. This is in step with the Master Plan's goal of reducing the proportion of leased properties to no more than 20 percent by 2010, a percentage based on the current national norm for state-owned and leased properties at state capitals.

Criteria for Locating New Development. The question of which agencies must locate on the Capitol Campus or off-campus in Olympia, Tumwater or Lacey should consider enhancing the public service functions of agencies

Developing a Leasing Strategy. To improve leasing practices, the Department of General Administration committed to develop a strategy to evaluate current leasing procedures and propose needed legislative or funding changes. General Administration also was to gather information on the amount and condition of leased and owned facilities to identify needs and priorities. Inadequate leased spaces were to be replaced with leases in larger or more appropriate buildings.

New Leases Must Maximize the State's Investment. The need for a new leasing strategy was identified to reduce the overall number of leases and limit the amount of inefficient space. Any long-term plan for leasing was to be done at the same time as a plan for ownership, developed at four-to six-year increments and updated each biennium.

Transportation Management Program. In this Master Plan, the state recognizes an opportunity to craft an efficient, environmentally sound plan for transportation and parking in the capital region. Its goals are simple: to reduce the number of state employees using single-occupancy vehicles by up to 30 percent by the year 2010 and to encourage greater use of alternative transportation, such as public transit, bicycles and walking.

See Attachment A for more detailed extracts of the Master Plan.

THURSTON COUNTY SPACE NEEDS STUDY REPORTS

This 18-month planning effort will produce seven reports, the last being a coordinated proposal on how best to house state government in Thurston County over the next 10 years.

The first five reports will gather together factual planning information produced by General Administration, other state agencies, local jurisdictions, developers and other stakeholders. *See Attachment B for Executive Summaries of the first three reports.*

Report #4 (May 2000) will include agency-specific planning information for the departments of Revenue, Employment Security, Labor and Industries, Natural Resources, Community Trade and Economic Development, the Attorney General, and the Administrator for the Courts. Report #4 will also provide additional facility cost information, a discussion about location and transportation demand management, and examples of how facilities affect service delivery and agency operations. Preliminary criteria for siting facilities and detail regarding our present facility planning and budgeting processes will also be covered.

Report #5 (July 2000) will complete the information-gathering phase of the 18-month project.

Report #6 (September 2000) will be a summary of the previous five reports and will include alternative approaches and policies to meet the 10-year facility needs in Thurston County. Interested stakeholders, state agencies and the general public will be asked to comment on and react to the alternatives developed for Report #6.

Report #7 (December 2000) will include a summary of findings, including stakeholder and public input, and a preferred alternative recommendation to meet the state's space needs through 2010.

See Attachment C for a summary of report contents and completion schedules.

PREFERRED DEVELOPMENT AREAS & PREFERRED LEASING AREAS

The 1991 Capitol Master Plan provided boundaries for state office development, which at that time was anticipated to be state-owned. These boundaries were called preferred development areas. The three local jurisdictions have now proposed changes to these preferred development areas and are asking the SCC for approval. It is anticipated that the SCC will act on this request at their June meeting. *See Attachment D for a map of the proposed changes to the preferred development areas.*

Since 1992, *lease* development has occurred outside the boundaries of the preferred development areas. The local jurisdictions have asked the SCC to establish, in addition to the preferred development areas, new boundaries that will be called preferred leasing areas. The cities have identified areas within their jurisdictions where they prefer state office leasing to occur. The Tumwater City Council took formal action to adopt their preferred leasing areas and the Lacey and Olympia city councils developed their new areas in council work sessions. *See Attachment E for a map of the preferred leasing areas that the local jurisdictions have proposed.*

SCC Review and Approval Schedule for Preferred Development and Preferred Leasing Areas

<u>Date</u>	<u>Activity</u>
April 17 <i>(Information)</i>	<ul style="list-style-type: none"> ▪ Review Issues ¹ <i>(Information)</i> <ul style="list-style-type: none"> 1. Urban planning/location 2. Facility quality/standards 3. Plan implementation ▪ Panel Discussions ² of issues, with emphasis on issue # 1 <i>(Information)</i> <ul style="list-style-type: none"> 1. Local officials 2. Developers and lessors
June 12 <i>(Information & Action)</i>	<ul style="list-style-type: none"> ▪ Discuss space needs <i>(Information)</i> ▪ Act on Preferred Development Area changes <i>(Action)</i> ▪ Act on Preferred Leasing Areas <i>(Action)</i> ▪ Discuss budget, cost and planning criteria <i>(Information)</i> ▪ Discuss facility policy development <i>(Information)</i> ▪ Discuss siting new facilities <i>(Information)</i> ▪ Discuss facilities procurement <i>(Information)</i> ▪ Discuss initial 10-year "conceptual framework" <i>(Information)</i>
October 10 <i>(Information & Guidance)</i>	<ul style="list-style-type: none"> ▪ Review 10-year plan alternatives in Report #6 <i>(Information/Guidance)</i> ▪ Review public comments received to date <i>(Information)</i>
December 12 <i>(Action)</i>	<ul style="list-style-type: none"> ▪ Review remaining public comments on Report #6 <i>(Information)</i> ▪ Recommended preferred alternative to meet 10-year facility needs <i>(Action)</i>

¹Review Issues will consider the following questions:

1. How should the State site its facilities to best serve the public, allow agencies to operate as cost effectively as possible, and support community development?
2. To what quality standards should state owned and leased facilities be developed?
3. How should the State develop and implement its 10-year plan?

² Panel Discussions will include:

Local officials: city managers from Olympia, Lacey and Tumwater
 Developers and lessors: four local developers and lessors

Extracts from
The Master Plan for the Capitol of the State of Washington

The Vision

The 1991 Master Plan sets forth a 20-year guide to construction, expansion and acquisition of property on campus, in the Capital City of Olympia and in the Capital Community of Lacey and Tumwater. It calls for new thinking about transportation to and among state government's various branches. And it proposes models of consultation and cooperation among state and local governments in Thurston County to realize its environmental and urban design ideals.

This document extends to off-campus sites the quality standards, if not the specific design themes, of the 1911 Wilder and White plan to ensure that state facilities at satellite campuses will be distinctive buildings, attractive and easily recognizable, with an openness and accessibility reflecting the best traditions of the government of Washington.

Preferred Development Areas

The Master Plan recognizes the parallel requirements for more office space and preservation of the open character of the Capitol Campus. It calls for new construction to be concentrated in three preferred development areas:

- ❑ The Capitol Campus
- ❑ Olympia, the Capital City
- ❑ Lacey and Tumwater, the Capital Community

To ensure that these centers of state government are functional, accessible and attractive, the Master Plan sets forth guidelines for construction, design and transportation systems.

Instead of relying on leased space simply because it is available, state agencies in the preferred development areas should be placed on sites specifically chosen to best serve their functions.

Buildings in the preferred development areas should not be carbon copies of the architectural style of the Capitol Campus but should nonetheless be distinctive, visually unified clusters clearly identifiable as centers of government.

Capitol Campus Design

The integrity of the original campus plan is an important asset of the Capitol Campus and must be reinforced and maintained.

Urban Design Guidelines

In general, the urban design guidelines preserve the park-like character, boundaries and heritage of the campus while accommodating the additional space needed for the legislative and government functions that must be located in or near the Legislative Building. These guidelines also relate the campus to the surrounding neighborhoods by establishing linkages and boundaries, as follows:

- Link the downtown and the campus
- Maintain the identity of the campus by defining the campus boundaries
- Cluster development related to freeway access on the eastern edge of the campus
- Locate facilities with potential community-related uses on the northern edge of the campus, with public transit and pedestrian convenience to downtown. Locate facilities with a lower expectation of public use on the southern boundary to minimize neighborhood impacts.

Building and Facility Guidelines

New buildings on the West Campus should be constructed to complement the historic architectural character of the original Legislative Building grouping. New buildings on the East Campus should complement the monumentality of the West Campus, but in a manner that reflect the more modern style of architecture on the East Campus.

Creating Satellite Campuses

A significant portion of the state's business is not suited for either the Capitol Campus or the urban setting of downtown Olympia. Satellite campuses in Tumwater and Lacey, therefore offer attractive alternative and specific virtues all their own. State government, according to the Master Plan, shall not impose itself upon these communities but live, work and interact with and alongside the communities and their people and enterprises.

Proposed new offices in Tumwater and Lacey are not conceived as islands of state government, but rather as fully-integrated sectors of these cities. They are intended to concentrate employees in a small area to support community services, such as retail, restaurants, banking, dependent care, pedestrian access and housing. They should encourage alternatives to single-occupancy vehicles, such as public transit. Satellite campuses should involve a mix of private, local and state government buildings to achieve a variety of land uses.

Satellite campuses in Tumwater and Lacey must be designed for 800,000 to 1 million square feet of development (4,000 to 5,000 state and private employees) to provide for efficient public transit and ridesharing alternatives and to support services as well as retail business. However, satellite campus development must not exceed these levels in order to meet regional growth management objectives.

The cities of Tumwater and Lacey have identified preferred development areas for new state offices. This Master Plan has been prepared in partnership with local government, and each of

these cities has taken steps to integrate the Master Plan recommendations into their respective community plans. The satellite campus has been placed within each of these preferred development areas.

Facility Development

State Employment

From the 1990 base of 18,000, state employment in Thurston County was forecast to grow (in the year 2010) to:

- ❑ High = 27,500
- ❑ Mid = 23,900
- ❑ Low = 20,200

Sequencing Projects

Any negative effects on local lease markets should be minimized by gradually reducing the amount of leased space occupied by the state. This is in step with the Master Plan's goal of reducing the proportion of leased properties to no more than 20 percent by 2010, a percentage based on the current national norm for state-owned and leased properties at state capitals.

Criteria for Locating New Development

The question of which agencies must locate on the Capitol Campus or off-campus in Olympia, Tumwater or Lacey is an important one, and the following objectives must be considered:

- ❑ Supporting long-term agency growth
- ❑ Achieving goals for local land use, transportation, the environment and urban design.
- ❑ Maximizing long-term economic investments in land, infrastructure and development costs.
- ❑ Enhancing the public service functions of agencies

Developing a Leasing Strategy

To improve leasing practices, the Department of General Administration committed to develop a strategy to evaluate current leasing procedures and propose needed legislative or funding changes. General Administration also was to gather information on the amount and condition of leased and owned facilities to identify needs and priorities.

Inadequate leased spaces will be replaced with leases in larger or more appropriate buildings.

New Leases Must Maximize the State's Investment

A new leasing strategy is needed to reduce the overall number of leases and limit the amount of inefficient space. Any long-term plan for leasing must be done at the same time as a plan for ownership, developed at four-to six-year increments and updated each biennium.

Leases should be written based on standards of the Building Owners and Managers Association (BOMA) to make sure they are compatible with current practices. Build-to-suit leases should be negotiated and signed before construction to allow for quality buildings constructed to state specifications. Property management responsibilities and levels of service must be defined in all leases.

Three levels of rating the performance of leased buildings must be developed by the state.

- ❑ First is the minimum level of performance required in any existing or newly leased building.
- ❑ Second is the level of quality for new buildings leased with 5- to 10-year terms.
- ❑ Third is the performance achieved on a long-term lease, or in buildings with are leased-purchased and the state chooses an ownership position.

Transportation Management Program

In this master plan, the state recognizes an opportunity to craft an efficient, environmentally sound plan for transportation and parking in the capital region. Its goals are simple: to reduce the number of state employees using single-occupancy vehicles by up to 30 percent by the year 2010 and to encourage greater use of alternative transportation, such as public transit, bicycles and walking.

Attachment B

REPORT #1 – EXECUTIVE SUMMARY

State agencies, especially the largest, continue to become more fragmented. Almost all agencies want to consolidate in order to:

- Improve operating efficiency and effectiveness
- Improve service to the public
- Save or avoid costs
- Improve security

The 1999 Legislature directed the Department of General Administration to complete a Thurston County 10-year space-needs study by December 2000. It is one of five facility planning studies in process for Thurston County agencies:

- Thurston County 10-year Space Needs Study
- Legislative Building renovation
- Transportation agencies (DOT, WSP, DOL, CRAB, TIB and WTSC)
- Department of Social and Health Services and OB-2
- Department of Health

The Thurston County Space Needs Study will be organized into several sections:

- Analysis of the current situation
- Forecasting future space needs
- Updating facilities standards
- Analysis of state management of owned and leased facilities
- Planning new leased and owned facilities
- Conceptual facility management and development program

Each of the five projects listed above are separate and supported by a separate team and budget, yet draw on the work of other planning efforts. Planning participants include:

- Legislators
- Legislative staff
- OFM
- Local governments
- Developers and lessors
- Staff from all GA facilities divisions

REPORT #2 – EXECUTIVE SUMMARY

A decision to acquire new leased or owned space or to move to another building is usually to improve customer service delivery or improve agency operations. Cost, location, space availability and timing are often the critical variables in this decision.

The State has three important ways to clarify and then optimize these variables.

1. Budget and Life Cycle Cost Analysis: The JLARC Lease versus Ownership Cost model developed jointly by the Joint Legislative Audit and Review Committee, private developers, lessors, GA, and OFM allows executive and legislative decision makers to understand the full range of budget and life cycle costs and benefits associated with a decision to either build, lease or buy a facility.

2. Preferred Development Areas: The 1991 State Capitol Master Plan defines preferred development areas in Olympia, Tumwater and Lacey where the State should develop its office facilities in order to distribute and best manage the impacts of State development, to achieve a sufficiently large concentration of State offices to simplify public service delivery and to support community development and public transportation.

3. Parking Management: Employee parking is often an expensive and limiting factor in siting state offices. An aggressive transportation demand management approach can sometimes dramatically reduce the amount of required parking and overall project cost. This report shares some tested ways others have done this.

Additional planning work has been done since September.

- Tools to estimate future space needs and staff growth are being developed.
- Office building performance and cost standards have been defined.
- Private and public ownership scenarios are presented.
- Different strategies to pay for increased new facility costs are offered.

In September, the Department of Health preliminarily concluded that they needed 232,000 to 238,000 square feet of consolidated office space to replace 253,000 square feet of space in eighteen leased office buildings. That space could be in one, two, or three buildings located at the same site. There may be as many as nine potential Master Plan-conforming sites in Downtown Olympia and Tumwater for this facility. A new Health facility will also provide some backfill opportunities for other agencies needing to co-locate.

Department of Health has continued to refine its analysis in preparation for a November 10th Supplemental Budget recommendation to the Governor. The current DOH Thurston County staff is 1,090, which is expected to grow by 2% to 1,111 by 2004. Year 2010 headcount is projected to increase by 2% per year, which would require a 261,000 square foot building by 2010. The possible options to meet the Department's needs have been reduced to a single building built at one time or in two phases with either a long term lease with option to purchase or as a traditional public works project.

The transportation agencies – Department of Transportation, State Patrol, Licensing, the County Road Administration Board, Transportation Improvement Board, and the Traffic Safety Commission – concluded that 350,000 square feet of space was needed to replace their thirty leased facilities. Their location options are State owned property on the Capitol Campus, near Ecology in Lacey, and south of Labor and Industries.

Additional analysis has increased the project size to 374,000 gross square feet. From 940 to 1635 new parking spaces will be required depending on which state-owned site the project is located.

Five agencies – Departments of Natural Resources, Fish and Wildlife, Agriculture, Ecology, and Labor and Industries – either totally or substantially consolidated their headquarters functions into a new facility in 1992 and 1993. Department of Retirement Systems consolidated their agency from 3 leased locations into a new leased building in 1999. Department of Retirement Systems' story of how this was done without a budget increase is described in Section IV of this report.

REPORT #3 – EXECUTIVE SUMMARY

The Governor's December 16, 1999 Supplemental Budget requests authority for GA to procure a replacement leased facility for the Department of Health (DOH) by 2003 with an option to later purchase that office building. DOH estimates that the most cost effective consolidation approach for them is to lease develop a 261,500-square-foot facility in one phase. The Governor has requested a \$400,000 capital-office building-planning appropriation to start this project in the spring of 2000. The project would be completed in 2003.

The legislature will be receiving two other reports in response to their 1999 session direction.

- In January, the Legislative Building Preservation and Renovation Commission will be identifying the need for additional space to accommodate infrastructure rehabilitation and public support space plus propose a new Capitol Addition.
- GA will be submitting a study report on a proposal to co-locate transportation funded agencies currently leasing space into a single large office building. Six development scenarios will be presented on three state-owned properties.

This report summarizes these three study efforts and lays the groundwork in the following six policy areas for decisions that the Legislature and the State Capitol Committee will make next year:

1. **How will the state's current and future budgets be affected by these projects?** Report #3 explains how the state's JLARC lease versus ownership model can be used to identify project, life cycle, and discounted life-cycle costs.
2. **Choosing between building to own and leasing.** A summary of the common reasons cited by private developers, building owners, and public officials about the advantages and disadvantages of owning and leasing is presented.
3. **Building to meet today's needs or building for the future.** This report begins an analysis of the growth in state employment over the next 10 years and the space implications of that growth. Much of the 10-year-lease and space program to be presented in December 2000 will be based on this forecast.
4. **Deciding where to locate state office buildings.** This report explores options for providing the best public service delivery, best support community development and regional transportation, optimize agency spending, and create the most investment value for the public. Refinements of the *Preferred Development Areas (PDAs)* in the 1991 Master Plan and local government-designated *Preferred Leasing Areas (PLAs)* are proposed. The location of state leases within these PDAs and PLAs is summarized.

5. **Agreeing on office building performance, space, transportation and cost standards for both state-owned and state-leased offices.** Report #3 builds on the standards initially proposed in Report #2.
6. **Coordinating state leasing decisions between state agencies and between executive and legislative branches.** A leasing policy framework for the Leasing Policy envisioned in the 1991 Master Plan, incorporating the previous 5 subjects, is being developed to present to the State Capitol Committee at their Spring 2000 meeting.

In 1999, several parts of the Thurston County 10-year plan will be accomplished:

- Defining what a 21st century state office should be, how it should perform (part of updating facility standards) and how much it should cost
- Producing three reports:
 - Report 1. The following report on need, legislative direction, GA's planning approach and a preview of work being done by Department of Health and the transportation agencies.
 - Report 2. A report targeted for early November to help OFM, the Governor and the Legislature more completely understand and make decisions about proposals to be submitted by the Department of Health and the transportation agencies.
 - Report 3. Individual reports or requests to be submitted in early December by the departments of Health and Social and Health Services, the transportation agencies, and the Commission on Legislative Building Preservation and Renovation.

Thurston County Space Study
State Capital Committee and Study Report Schedules

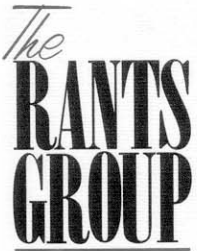
Report Schedule

<u>Report</u>	<u>Approximate Date</u>	<u>Content</u>
1	September 1999	Summarized Legislative direction; outlined GA's approach to the study; summarized previous studies; provided status report of DOH and DOT planning; provided factual information on facilities.
2	November 1999	Described general approach to locating new offices; explained JLARC lease v. ownership model; summarized state law re: office procurement; summarized national research re: transportation management; presented Retirement Systems consolidation case study; proposed 21st century office specification with estimated cost; presented comparative space standards. Further DOT and DOH project information
3	December 1999	Application of JLARC model; criteria for lease v. ownership decision; Thurston County employment forecast; discussion of preferred development and preferred leasing areas; further development of 21st century office building standard; leasing framework for coordinating between executive and legislative branches. Further DOT and DOH project information.
4	May 2000	Future agency facility needs for another seven agencies; decision criteria for colocation, consolidation, cost, and budget; relationship of buildings to service delivery and agency operations; information on preferred development and preferred leasing areas.
5	July 2000	Complete findings phase; begin to develop policy and management tools for study implementation.
6	September 2000	Summarize reports one through five; outline alternatives to meet 10-year space needs; outline the public and stakeholder comment/participation process.
7	December 2000	Summarize findings and make recommendations based on public and stakeholder input.

State Capitol Committee's Review and Approval Schedule

<u>Date</u>	<u>Activity</u>
April 17 (Information)	Frame Issues (Information) 1. Urban planning/location 2. Facility quality/standards 3. Plan implementation Panel Discussions of Issues (with emphasis on issue # 1) (Information) 1. Local officials 2. Developers
June 12 (Information and Action)	Discuss space need (Information) <div style="text-align: right;"> (Action) (Action) (Information) (Information) (Information) (Information) </div>
	(Information)
October 10th (Information & Guidance)	Review 10 year plan alternatives (Report #6) (Information/Guidance) <div style="text-align: right;">(Information)</div>
December 12 (Action)	Review remaining public comments received about Report #6 (Information) needs (Action)

Appendix F: Correspondence from the Cities and the Public



Evergreen Olympic Properties, Inc.
Market Place Office Building
724 Columbia St. NW, Suite 200
Olympia, WA 98501

(360) 943-8060 Commercial
(360) 352-7666 Residential
(360) 943-9368 FAX
Website: www.rants-group.com
E-mail: info@rants-group.com

March 17, 2000

Grant Fredericks, Deputy Director
Department of General Administration
State of Washington
P.O. Box 41000
Olympia, WA 98504

Dear Grant:

Thanks for taking time from your busy schedule to address the Olympia Roundtable. We appreciated your presentation and your remarks were well received.

I'll share with you the two pieces of feedback that I received from Roundtable members. First, the state should raise the bar on quality so that we develop stronger, longer life buildings. This was addressed towards leased buildings, which you also commented on. Secondly, one member felt that both development and leasing areas should be further consolidated (ie. still too much proliferation of sites).

Grant, thanks again and it was good to see you again.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Ron".

Ron Rants

RR/tgj

DREBICK INVESTMENTS

REAL ESTATE Ownership and Operations

February 17, 2000

Jennifer M. Belcher
Commission of Public Lands
Department of Natural Resources
State of Washington
PO Box 47001
Olympia, WA 98504-7001

Dear Ms. Belcher:

You are a member of and the Secretary for the State Capitol Committee. It is my understanding that you will meet on April 10, 2000 at 1:30 p.m. in the Senate Rules Committee room in the Legislative Building.

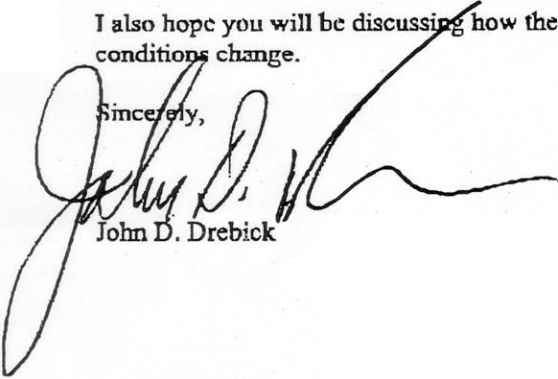
It is my understanding that some elements of the Capitol Master Plan will be discussed. I would like to attend that meeting and have in advance any information that will help me understand your discussion.

We own approximately 190,000 SF of state leased office space in the Evergreen Park PUD which adjoins the Capitol campus on the West.

I would hope that you can amend the Preferred Lease Area proposed by the City of Olympia to expand its requested "Preferred Lease Area" to include the Evergreen Park PUD (it is a designated zone and is mentioned in its Comprehensive Plan) which was created 30 years ago to allow offices, public buildings, and parking facilities among other uses. The PUD is basically built out with only one commercial lot undeveloped. The county court house is located there. It adjoins the Capitol Campus, has excellent freeway access. Is served by Intercity Transit Route 42, which shuttles between downtown and the Capitol Campus and can be ridden by State employees for free. Approximately 300,000 SF of office space is currently leased to the State with approximately another 100,000 SF, that when available will be eligible for state lease. Approximately 1,700 people work in these buildings and with easy access to the downtown services they will continue to contribute immensely to the vitality of the downtown.

I also hope you will be discussing how the Preferred Development Areas can be modified as time goes on and conditions change.

Sincerely,



John D. Drebeck

belcher preferred lease area letter



Jennifer M. Belcher
Commissioner of Public Lands

March 7, 2000

John Drebeck
Drebeck Investments
2404 Chandler Court SW, Suite 200
Olympia, WA 98502-6034

Dear John:

Thanks for your letter about the Evergreen Park PUD and the upcoming State Capitol Committee meetings during which we'll be discussing the city's proposed "preferred leasing areas."

As you may know, I'm one of four members of the committee, with the others being the Governor, the Lieutenant Governor, and the Secretary of State. The committee approved the 1991 Master Plan for the Capitol, often referred to as the Capitol or Thurston County Master Plan. That plan designated "preferred development areas" where state government would concentrate the majority of its new office space. At the time the Master Plan was approved in 1991, most new offices were anticipated to be built and owned by the state.

Since the completion of the Labor and Industries, Natural Resources, and Ecology buildings in 1992 and 1993, the only new state offices have been privately developed outside of these preferred development areas and leased to the state. This prompted the committee, the local jurisdictions, and, most recently, the legislative fiscal committees to seek clarification of the state's intentions regarding the Master Plan-designated preferred development areas and the state's leasing policies.

The Department of General Administration briefed the State Capitol Committee last June and again in December on the joint planning the department had done with local governments on the preferred leasing areas. The department also briefed us on a legislatively-directed 10-year plan that's scheduled to be completed by

Department of Natural Resources
Olympia, Washington 98504-7000
(360) 902-1000

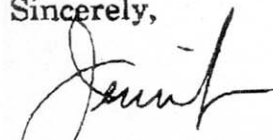
Mr. John Drebeck
March 7, 2000
Page 2

December 2000. Part of this plan will be leasing policies, including designation of preferred leasing areas, that the committee will be asked to formally incorporate into the Master Plan.

I haven't yet seen the committee's proposed April 2000 meeting agenda, but I understand from the Department of General Administration that leasing policies will be discussed and that interested parties, including lessors, will be invited to take part in the discussion. Actual leasing and other Master Plan-related decisions will not be made until the committee's June and October meetings. The 10-year plan is scheduled for formal committee action in December.

I appreciate your suggestions, offer of assistance to the committee, and helpful information about preferred leasing areas.

Sincerely,



COMMISSIONER OF PUBLIC LANDS
Commissioner of Public Lands

JMB/GF:cwp

c: Grant Fredricks, Department of General Administration

April 17, 2000

State Capitol Committee
Olympia, WA

Thank you for allowing me to attend and testify. I would like to share with you the following:

1. Grant Fredricks of General Administration provided me with a list of the statute authority for your committee.

I am unable to find where you have authority for controlling of leased properties. Perhaps someone can assist me in finding where that authority comes from?

2. My prime concern has to do with the 200,000 SF of state leased space that I own in the Evergreen Park which adjoins the Capitol Campus, west of Capitol Lake, which is not in the proposed lease area.
3. Olympia should expand its requested "Preferred Lease Area" to include the Evergreen Park PUD (it is a designated zone and is mentioned in its Comprehensive plan) which was created 30 years ago to allow offices, public building, and parking facilities among other uses. The PUD is basically built out with only one commercial lot undeveloped. The county court house is located there. It adjoins the Capitol Campus, has excellent freeway access. Is served by Intercity Transit Route 42, which shuttles between downtown and the Capitol Campus and can be ridden by state employees for free. Approximately 300,000 SF of office space is currently leased to the state with approximately another 100,000 SF, that when available will be eligible for state lease. Approximately 1700 people work in these buildings and with easy access to downtown services they will contribute immensely to the vitality of the downtown.

In a report made by the City of Olympia in 1990, titled: "Future State Office Growth";
An evaluation of anticipated state facility needs and Olympia's ability to accommodate them:

Page 51 stated

VII. OLYMPIA'S CAPACITY TO ACCOMMODATE FUTURE STATE OFFICES

"Given the State's need for future office facilities, there are three general locations for constructing new facilities in the Olympia area:

1. Develop sites on the Capitol Campus, which are not fully utilized and could accommodate new office buildings.
2. Develop mid-rise offices in downtown Olympia.
3. Develop satellite campus sites in suburban areas where large tracts of land are available.

In 1954 Supreme Court case Lemon vs. Langlie ruled that Olympia was "Seat of the Government".

November 23, 1987 Ken Eikenberry, Attorney General opinion was issued at the request of Mary Faulk, Director of General Administration:

The Eikenberry opinion clarified "Seat of Government" meaning as follows:

"With these rules of construction in mind and recognizing the limited case law, we conclude that "at" as used in article 3, section 24 means "in, within, near or in close proximity".

What constitutes "near or in close proximity" is not a matter that can be precisely defined, so we cannot provide bright lines to guide you as the Director of General Administration in carrying out the statutory responsibilities set forth in chapter 43.82 RCW. We can think of no universal standard to be applied because each situation must be reviewed and decided on its own unique set of facts. In doing so, one must keep in mind the purpose behind article 3, section 24 – to provide a central, convenient location for state business, readily known and available to the public. If you make decisions securing office locations outside the 1890 corporate limits of Olympia, we believe you should consider at least the current means of transportation available to the public, parking availability, and the location proximity to other state agencies. We recognize that what is "near" is a function of accessibility for both public and state agencies, on to another. What would be considered "near" in 1987 is certainly much greater than it was in 1890 and, if trends continue, will be even greater in the next century.

(Evergreen Park PUD complies with all criteria.)

1990 CAPITOL MASTER PLAN

1. Created preferred development areas for state owned facilities only.
2. Leasing strategy should be devised to improve the cost effectiveness and manageability of the remaining leased property.
4. "Plan should be updated every six years.
It also states:
 - a) A local review process should be created, etc.
 - b) Involve the public, inform the public, obtain public participation and determine public opinion.
5. Develop a Leasing Strategy
 - a) Conditions for leasing space.
 - b) New leases must maximize the states investment.

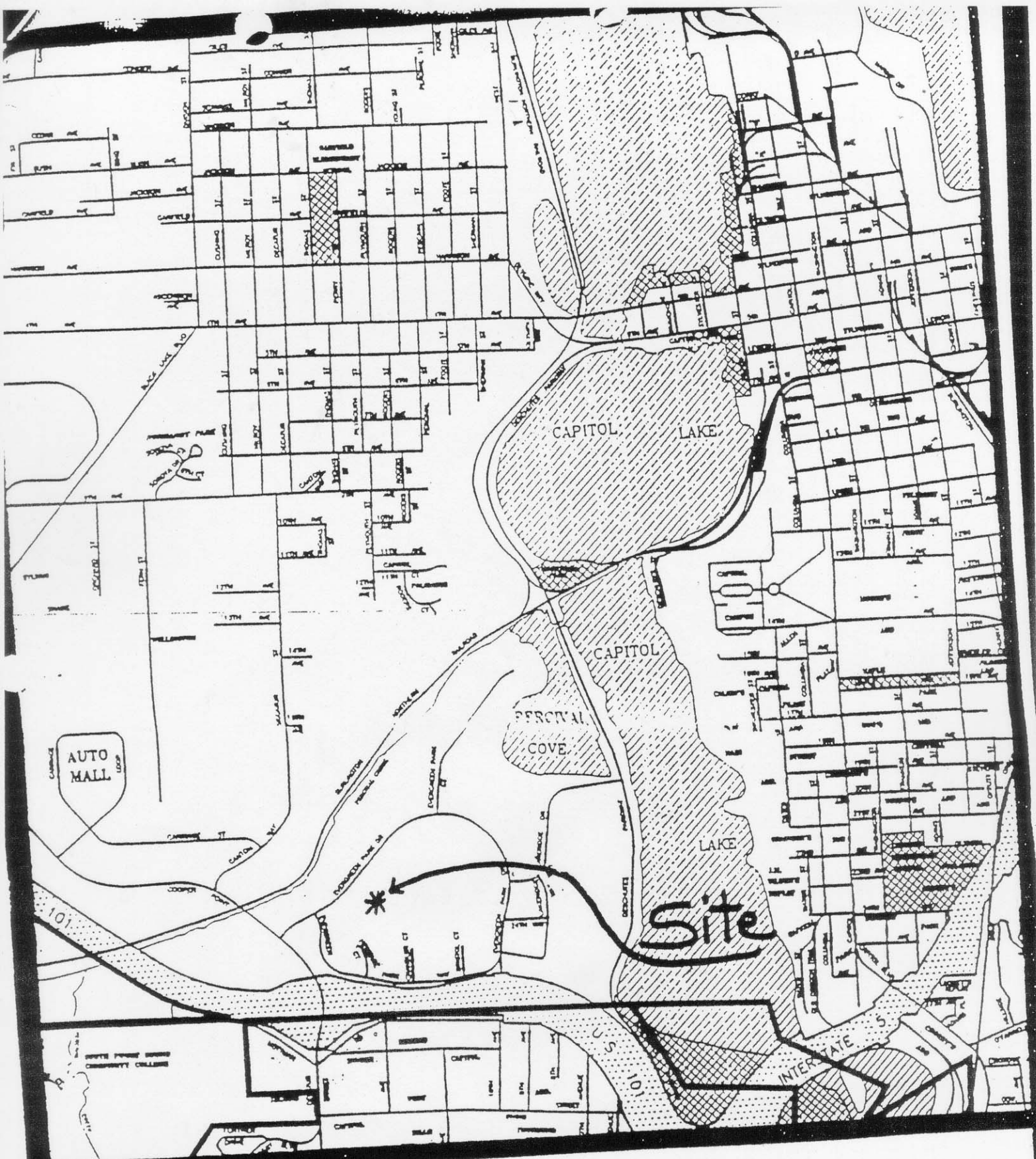
I believe the above is good stuff and can be obtained without establishing any preferred lease areas. In the event you proceed please include Evergreen Park as a preferred lease area.

I will be available to work towards solution if you wish.



John D. Drebeck

Enclosure Vicinity Map



VICINITY MAP

CASE: RZ-1-73

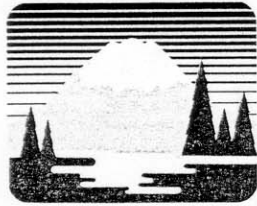
north

SCALE: 1" = 2000'

90

STAFF REPORT ATTACHMENT

D



*Shaping
our community
together*

**CITY
OF LACEY**

POST OFFICE BOX 3400
LACEY, WA 98509-3400

CITY COUNCIL

GRAEME SACKRISON
Mayor
ANN BURGMAN
Deputy Mayor
VIRGIL S. CLARKSON
MARY DEAN
NANCY J. PETERSON
JIM WEBER
LORRAINE WILSON

CITY MANAGER

GREG J. CUOIO

February 28, 2000

Capital Development Company (CDC)
P.O. 3487
Lacey, WA 98509-3487

Subject: Leasing Retail Spaces to State Agencies

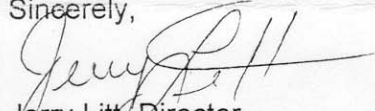
Dear Mr. Blume,

Recently, it has been indicated to City staff that Employment Security/DSHS have been looking into leasing your old office and the two shoe shop spaces. The purpose of this letter is to remind you that this is not a use that can be located in the CBD 3 zoning district. All types of State administrative offices are not allowed, and in fact, the Cities of Lacey, Olympia and Tumwater recently went through an exercise with General Administration and agreed that the State would avoid leasing retail spaces in our communities. This is not a new zoning prohibition, but rather a use that has not been allowed since the inception of that zoning district.

We have diligently been working to expedite the development of a significant portion of the South Sound Center site. Hopefully you will be successful in finding users for your old office site that will be of benefit to all your existing and future retail tenants.

With this letter, we wanted to make it clear that spending time and energy on State leases in this zone would not be productive. It seems that it would not be prudent for the State to lease property as valuable as your commercial site. Hopefully these are just rumors that we are hearing and that we can continue to make progress with the redevelopment of the site.

Sincerely,


Jerry Litt, Director
Community Development

C. Grant Fredericks, Department of General Administration
Carver Gayton, Director, Employment Security
Greg Cuoio, City Manager



Appendix G: Letter from House Capital Budget Committee Co-chairs – Capital 5000 Building

State of
Washington
House of
Representatives



April 10, 2000

Lyle Quasim, Secretary
Department of Social and Health Services
OB-2, 4th Floor
Olympia, WA 98504-5010

Dear Mr. Quasim:

We are writing to you to express our concerns about the Department of Social and Health Services plans for a new major office building in Thurston County.

It has been brought to our attention that you intend to advertise for a new 75,000 square foot client services center as soon as possible. The new building would replace the existing leased Capital 5000 Building. GA has estimated that no existing space of the requested size is available in Thurston County and that the advertisement will cause a new office building to be constructed on a speculative basis.

In the last few years, state agencies have caused the construction of a number of privately owned office buildings in Thurston County. Local jurisdictions have expressed concern that this development is occurring in an unplanned fashion and is inconsistent with good urban planning principals. In response to this concern, the House Capital Budget Committee formed a Subcommittee on State Leasing Policy.

The Subcommittee recommended that the Department of General Administration develop a long-term state leasing policy. The policy is to include coordination of future state office space needs and identification of preferred leasing areas to promote public access, efficiency, community development, and growth management principles. The policy should also include transportation demand management strategies and consistent parking practices to improve the urban landscape of the host communities. The subcommittee further recommended that the Department of General Administration, on behalf of state agencies, not enter into lease agreements on buildings larger than 20,000 sq ft that are in the construction or planning stage of development without prior legislative approval and the lease must comply with the provisions of the state's lease policy.

The Capital Budget Committee has asked the Department of General Administration to report back during the 2001 legislative session on the development of the state lease policy. Until GA has adopted an acceptable strategic plan for leasing buildings in Thurston County, we encourage you not to contribute to the already uncoordinated development of state occupied facilities.

State of
Washington
House of
Representatives



If you have any questions or would like further clarification, please feel free to contact us.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ed Murray", with a long, sweeping underline.

Representative Ed Murray
Co-Chair
Capital Budget Committee

A handwritten signature in dark ink, appearing to read "Gary Alexander", with a long, sweeping underline.

Representative Gary Alexander
Co-Chair
Capital Budget Committee

CC: Marty Brown
Mike Roberts
Marsha Tadano Long
Grant Fredricks
John Reynolds

Appendix H: Developer Meeting Materials (Meetings 1-8)
Minutes of 10/4/99 Cost Sub-committee Meeting; Summary of 9/23/99
Cost Sub-Committee Meeting

Meeting #8 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, April 12, 2000

Introductions & Preview of Meeting Grant Fredricks

April 17th State Capitol Committee Meeting Grant Fredricks

Work Session Regarding Report #4 Craig Donald
Of the Thurston County Lease and Space Plan

1. Occupancy costs other than lease costs paid by tenants in leased facilities-especially focus on facilities operating costs and capital costs.
2. What costs should be considered when making decisions on moving or modifying facilities?
3. Factors that should be considered in locating new state facilities (leased or owned)
4. Conditions that would cause new facilities to be located in
 ⇒ Preferred Leasing Areas (if adopted by SCC)
 ⇒ Preferred Development Areas
5. Analysis of current leased facilities planning processes – Detail improvements
6. Review of potential and available lease space (p. 36-56 of Report #2 and p. 45 of Report #3) – make additions and deletions.
7. Changes that would improve how we budget for new leased space (e.g., not having surprise rate increase requests going to the Legislature)

Next Meeting – Wednesday, June 14th, 11-12

Meeting #7 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, March 8, 2000

Introductions & Preview of Meeting	Grant Fredricks
Final Update on Legislative Activities	Grant and Bob Bippert
<ul style="list-style-type: none">▪ Department of Health▪ Legislative building Rehabilitation▪ SHB 2481 Amending 43.82.010 (10)▪ Transportation Agencies Building	
April State Capitol Committee Meeting	Grant
GA Thurston County Lease and Space Planning Work Plan	Craig Donald
<ul style="list-style-type: none">▪ Report #4 (Publish May 1st)▪ Reports #5-7	
Discussion on How Developers Will Be Included in Future GA Planning Activities	All

Next Meeting – Wednesday, April 12th, 11-12

Meeting #6 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, February 9, 2000

Introductions & Preview of Meeting Grant Fredricks

February 14th DRES Customer Advisory Meeting Bob Bippert

Respond to Questions on GA Report #3 Grant Fredricks

Update on Legislative Activities Grant Fredricks

- Dept of Health
- Transportation Agencies
- Legislative Building Rehabilitation
- SHB 2481 Amending RCW 43.81.010(10)
- Leasing Q & A Paper

Update on GBOLA Activities GBOLA

- Position on DOH Proposal
- Legislative Session Objectives

GA Work Plan Grant Fredricks

January-March

Reports 4-7

Discussion on How Developers Will Be Included in Future GA Planning Activities All

Next Meeting – Wednesday, March 8th, 11-12

Meeting #5 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, January 12, 2000

Introductions

Preview of Meeting Grant Fredricks

Respond to Question on GA Report #3 Grant Fredricks

Update on Legislative Activities Grant Fredricks

- Dept of Health
- Transportation Agencies
- Legislative Building Rehabilitation

Update on GBOLA Activities GBOLA

GA Work Plan Grant Fredricks

January-March

Reports 4-7

Discussion on How Developers Will Be
Included in GA Planning Activities All

Meeting #4 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, December 8, 1999

Self Introductions

Preview of Meeting	Grant Fredricks
GBOLA update since October 28th	Pat Rants
State update since October 28 th	Grant Fredricks
12/2/99 House Capital Budget Committee Report on Leasing	GA/GBOLA
Transportation Agencies Co-location Project Update	GA/DOT
Dept of Health	Suzette Frederick, DOH
Use of Transportation Demand Management To Reduce Parking and Project Cost	Grant Fredricks/Ron Niemi (DOT)
GA report #3 – 12/17/99	Grant Fredricks
General Discussion	All

Meeting #3 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, October 28, 1999

Self Introductions

Preview of Meeting	Grant Fredricks
GBOLA update since September 2nd	Pat Rants
State update since September 2nd	Grant Fredricks
Cost Sub-Committee Update and Discussion of JLARC Model	Craig Donald/GBOLA
One Step v. Two Step Procurement	Pat Rants
Use of Transportation Demand Management To Reduce Parking and Project Cost	Grant Fredricks/Michael Van Gelder
Conceptual State Ownership Scenarios	Grant Fredricks
Transportation agencies	Marziah Kiehn/NBBJ
Dept of Health	Dwayne Harkness
Potential Sites for DOH and Transportation	Bob Bippert
Conceptual Backfill Scenarios for DOH and Transportation	Kirstan Arestad
Transportation and DOH Conformity to Master Plan	Grant Fredricks
GA report #2 – 11/10/99	Grant Fredricks
11/8 House Capital Budget Sub-Committee Meeting	Bob Bippert
General Discussion	All

Meeting #2 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, September 2nd, 1999

Self Introductions

Preview of Meeting	Grant Fredricks
GBOLA update since July 29 th	Pat Rants
State update since July 29 th	Grant Fredricks
Work plan status	Grant Fredricks/Craig Donald
August 19 work session at NBBJ	Bill Sanford
Briefing on On-Going Planning Studies	
Dept of Health	Dwayne Harkness/BCRA
DOT/WSP/DOL	Marziah Kiehn/NBBJ
GA Report #1 – 9/10/99	Grant Fredricks
9/15 House Capital Budget tour	Bob Bippert
General discussion	All

Adjourn at noon.

Meeting with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, July 29, 1999

Introductions

Preview of Meeting Grant Fredricks

Review of Legislative Direction Grant Fredricks

Discussion of Developers and Lessors Expectations Mark Gjurasic

Explanation of GA Work Plan Grant Fredricks

Briefing on On-Going Planning Studies

Dept of Health Dwayne Harkness

DOT/WSP/DOL Marziah Kiehn

DSHS Craig Donald

Work Products for 1999 Grant Fredricks

Discussion on How Developers Will Be
Included in GA Planning Activities All

~~Description of Afternoon House Capital Budget~~

~~Leasing Sub Committee Tour~~

~~Kirstan Arestad~~

~~(Tour Cancelled – Agenda Item deleted)~~

Summary of Cost Subcommittee Meeting September 23, 1999

1 – Review of GA Report # 1

Report issued September 17th. Copies mailed September 21st. Reviewed sections of report. Questions regarding categorization of costs on p. 25. Attendees were encouraged to read the report and bring questions to the next meeting or e-mail them to Craig Donald at cdonald@ga.wa.gov. Marziah will provide copy of Heery reports on NRB and L&I Buildings to NBBJ.

Cost of land - The question asked was whether we should be looking at the cost of acquisition or on the present value of the land. The group agreed that land would be viewed as money; an opportunity cost. Furthermore, it was suggested that the most recent land sales figures be applied to the sites such as Tumwater.

2 – Dialog regarding the lease development cost of the 21st Century Building

Hard costs of lease developed and state built building of this size/scope should be the same, especially for larger projects (the same may not hold true for smaller projects). There will be a difference in the *soft costs* – where the soft costs are less for a lease developer. GBOLA will try to provide information on the differences in soft cost. Assuming the same 21st century building concept were applied to DOT and DOH, then the *hard costs* of building a structure of approximately the same size should be close to the same (except for *programmatic differences*).

The 21st century development specification should result in a higher lease rate than more recent rental rates. The consultants will not be able to detail the increments of cost in the 21st century building that will cause the overall cost to be greater (this was not part of their scope of work). The general elements of what makes for the cost differentials would be identified. The consultants won't assign a specific cost for each element.

For a lease development there might be an interest rate advantage for the developer to have a longer-term lease. There might be some relative lease rate advantage for the 21st Century building if it will meet longer-term data and information infrastructure needs.

3 – Future trends in office leasing cost in Thurston County

There is 300,000 square feet of development going on in Thurston County right now. Real estate taxes have experienced a recent major jump, but should continue to use a more conservative lease rate escalation factor over the long-term. It was noted that there had been a recent creep in Thurston County lease rates. It was mentioned that part of the cause may be due in part to market saturation/new development as well as a sympathetic rise effect from lease rate increases in the King County market.

Feedback indicated an interest in identifying sound urban development and density issues which support ongoing development of local communities. Need to address issues like density and impact of office building development on the local communities.

4 - What tools should OFM and the Legislature use to evaluate building and financing alternatives...

Should take into account social values, good sound urban design, benefits to agency of consolidation, and benefits to the public. What should the buildings be like – should it be 400,000 sf or a series of 50,000 sf buildings? Where should buildings be? What is the impact on traffic? What should the buildings be like? What is the impact on the operating budget of the building? What is the impact on employees and the public of the alternatives?

The *status quo* (as used in the JLARC model) was questioned. Should the rate reflect: 1) how things are now; 2) how they would be if the agency was in comparable space to the alternative (comparing only the financing alternatives); how they will become if they continue to lease (don't build or lease develop) but upgrade the inadequate spaces over time. Some people noted that we ought to change our terminology from *status quo* to *do not consolidate* since the status quo may not be maintained.

The Legislature and OFM need to know in advance when there will be an operating impact (e.g., moving costs, and increased rents) to a building decision.

The JLARC model is one factor to be used by decision-makers in deciding about facilities options. It was stated that the model should not be viewed as a pass/fail decision making tool, but rather one of several decision making tools. Some noted that the model is a own v. lease decision making tool. It was noted that the JLARC model was in essence the same as the life cycle cost analysis required by OFM's design manual. Everyone agreed that the integrity of the model should be retained.

There needs to be a listing of other criteria that will be used to evaluate facilities options. Proposers then need to follow the checklist and answer the questions for the decision-makers.

A COP hearing is scheduled for October that might change the way that financing option is applied

Initiative 695 will lower real property taxes because automobiles will be added to the tax rolls and this broadens the base.

The Legislature has looked at an internal rent structure to make capital funded space have a more market based cost thus equalizing agency decision making on financing and ownership of buildings.

COP's using capitalized interest (as used for the Ecology financing) are not a good idea because it added costs that couldn't be sustained by Ecology's operating budget downstream.

The next meeting (scheduled for 1 hour) will be Monday, October 4th in the GA Director's Conference Room at 8 a.m. The conference room is in Room 200 GA Building.

Minutes of October 4, 1999 Cost Sub-committee Meeting

The Thurston County Space Planning Cost Sub-committee met Monday, October 4th. The following were the agenda items and general results of the discussion at that meeting:

How much should we assume land will cost in Tumwater and Olympia?

There was a recent (one year ago) sale in Tumwater of 10 acres at \$1,250,000. However, there were houses and possible hazardous waste on the site.

There was a comment that Point Plaza West property would be about \$6.00 per sf today and that Evergreen Park would be about \$5 per sf.

There was a comment that Downtown Olympia would be somewhere between \$15-\$20 per sf. One recent desperation sale was for \$1,500,000 for 130,000 sf.

There was a comment that on the Westside of Olympia land was going at \$5 per sf and on the far Eastside (around Boone Ford area) property was probably about \$4-\$5 per sf.

What are the differences in soft costs between private development and state development?

One private development project had a soft cost of \$28 per sf.

Another private development had a construction budget of \$5.5 million and a non-construction budget of \$1.1 million including the following categories in the \$1.1 million:

- Architectural, design and engineering
- Permits and mitigation
- Storm water
- Sewer
- Survey
- Loans and interest
- Appraisal
- Insurance
- Title Ins.
- Legal Costs
- Inspections
- A soft cost contingency

What are the likely mitigation costs by jurisdiction?

Primarily depends on the site and the jurisdiction. For our known sites we should cost out the mitigation needed - that will provide the best estimate. We need to include the costs of parking in our analysis.

What are the differences in cost between a pure lease and a lease with an option to purchase?

There is no difference in the per sf lease cost. But the acquisition cost of the building should be factored in to the life cycle cost analysis where a lease purchase is anticipated. Given past practice of the state most owners don't think the state will acquire the building when there is an acquisition clause. There was some comment that the state practice of calculating the purchase price based on ten times the rental rate wasn't good practice. It was stated that the state wasn't using that form for the last two years. It was noted that developers want to have paid off loans before an acquisition takes place especially if there are "penalty clauses" in the loan papers.

There was a general comment regarding Report #1 not being complete. It was stated that future reports would address issues such as backfilling and space needs forecasts. Report #2 is scheduled for publication in early November. The next meeting of the whole Thurston County Planning group is October 28th. We didn't schedule the next meeting of the cost subcommittee at this time. The next meeting will probably be in November.

Cost Issues to Address In Future Reports

1. Direct Costs v. Indirect Costs
2. Direct Costs v. Substitution Costs
3. Cost Payment v. Net Cost Payment
4. Costs to State Government v. Costs to All Governments v. Costs to Citizens
5. Passed-on Costs v. Absorbed Costs
6. Actual Costs v. Opportunity Costs
7. Actual Costs v. Planned Costs
8. Actual Costs v. Deferred Costs
9. Actual Costs v. Exposed Costs
10. Sunk Costs/Realized Benefits v. Present/Future Costs & Benefits
11. State Benefit v. Interactive Benefit
12. Building v. Alternative
13. BOMA Rentable sf

Thurston County Leasing Study
AFRS Objects of Expenditure
Available for Facility Cost Analysis
(State Chart of Accounts)

A		SALARIES AND WAGES
	AA	State Classified
	AC	State Exempt
	AE	State Special
	AJ	State Other
	AS	Sick Leave Buy-Out
	AT	Terminal Leave
	AU	Overtime and Call-Back
B		EMPLOYEE BENEFITS
	BA	Old Age, Survivors, and Disability Insurance
	BB	Retirement and Pensions
	BC	Medical Aid and Industrial Insurance
	BD	Health, Life, and Disability Insurance
	BE	Allowances
	BF	Unemployment Compensation
	BH	Hospital Insurance (Medicare)
	BT	Shared Leave Provided-Sick Leave
	BU	Shared Leave Provided-Personal Holiday
	BV	Shared Leave Provided-Annual Leave
	BW	Shared Leave Received
	BZ	Other Employee Benefits
C		PERSONAL SERVICE CONTRACTS
	CA	Management and Organizational Services
	CB	Legal and Expert Witness Services
	CC	Financial Services
	CD	Computer and Information Services
	CF	Technical Research Services
	CG	Marketing Services
	CH	Communication Services
	CJ	Employee Training Services
	CK	Recruiting Services
	CZ	Other Personal Services
E		GOODS AND SERVICES
	EA	Supplies and Materials
		0001 Office Supplies
		0004 Janitorial
	EB	Communications
		0001 Telephone, Telegraph
		0002 Postage
		0003 Radio System
		0004 Parcel Service (CMS)
		0005 Presort Service (CMS)
	EC	Utilities
		0001 Garbage
		0002 Water
		0003 Sewer
	ED	Rentals and Leases
		0001 Space Rental

		0002	Equipment Rentals
	EE		Repairs, Alterations, and Maintenance
		0001	Furniture and Equipment
		0002	Buildings
		0003	Elevator Maintenance/Repair
		0004	Grounds
	EK		Facilities and Services
	EL		Data Processing Services
	EP		Insurance
	ER		Purchased Services
		0001	WSP Contracts
		0002	Fire Protection
		0003	Janitorial Services
		0004	Shuttle Bus
		0006	Thurston Co. Planning Council
		0008	Carpet Cleaning (for DPD use)
		0040	Owner Project Mgmt
		0041	DCF Reimbursable Work - Labor
		0042	DCF Reimbursable Work - Materials
	ES		Vehicle Maintenance and Operating Costs
	EU		State Owned and/or Leased Facility Energy Costs
	EW		Archives and Records Management Services
	EZ		Other Goods and Services
		0001	Freight
		0002	Tax Expenses
G			TRAVEL
	GC		Private Automobile Mileage
	GN		Motor Pool Services
J			CAPITAL OUTLAYS
	JE		Land
	JF		Buildings
		0001	DCF Reimbursable Work - Labor
		0002	DCF Reimbursable Work - Materials
	JH		Improvements Other Than Buildings
	JJ		Grounds Development
	JK		Architectural and Engineering Services
		0001	Basic Services
		0002	Change Order Fees
		0003	Extra Services
	JL		Capital Planning
	JN		Relocation Costs
	JZ		Other Capital Outlays
		0002	E&AS Project Mgmt
		0003	DCF Work Requests
		0004	In-Plant Services
P			DEBT SERVICE
	PA		Principal
	PB		Interest
	PC		Other Debt Services
	PD		Principal-OST Lease/Purchase Agreements
	PE		Interest-OST Lease/Purchase Agreements
	PF		Amortization of Gain/Loss on Bond Funding

S		INTERAGENCY REIMBURSEMENTS
	SJ	Capital Outlays
	SP	Debt Service
T		INTRA-AGENCY REIMBURSEMENTS
	TA	Salaries and Wages
		0009 EAS/FO-Bothell Reimbursement
		0042 Division Indirect (between EAS/FES/Energy-PI 91200)
	TB	Employee Benefits
		0009 EAS/FO-Bothell Reimbursement
		0042 Division Indirect (between EAS/FES/Energy-PI 91200)
	TC	Personal Service Contracts
		0042 Division Indirect (between EAS/FES/Energy-PI 91200)
	TE	Goods and Services
		0001 Graphics
		0005 Agency Indirect Expenditure
		0006 Information Services Projects
		0007 Owner Project Management
		0008 EAS Interagency Agreement
		0009 EAS/FO-Bothell Reimbursement
		0042 Division Indirect (between EAS/FES/Energy-PI 91200)
	TG	Travel
		0042 Division Indirect (between EAS/FES/Energy-PI 91200)
	TJ	Capital Outlays
		0001 Communications Reimbursable (Capital Projects)
		0004 In Plant-Auto/CAD
		0007 Project Management Reimbursement
	TK	Noncapitalized Fixed Asset
	TP	Debt Service
W		DEPRECIATION, AMORTIZATION, AND BAD DEBTS
	WA	Depreciation Expense
	WD	Change in Capitalization Policy

Appendix I: Retrospective Look at Lease Renewal Rates, Spokane Leases

Retrospective Look at Lease Renewal Rates
Spokane Leases
Used for Life Cycle Analysis 5/24/1995

LBC Cleaned List

Lease Number	Square Feet	Old Rate	Old Term	New Rate	New Term	% Rate Inc.	Annually Compounded Rate Increase
5893/6842	220	\$10.65	10	\$11.15	5	4.69%	0.46%
5932	2,207	\$11.00	5	\$13.00	5	18.18%	3.41%
6130	40,126	\$9.70	5	\$13.00	5	34.02%	6.04%
6214	6,866	\$9.80	5	\$14.00	5	42.86%	7.40%
6632	2,700	\$11.20	5	\$14.20	5	26.79%	4.85%
6228	14,094	\$10.25	5	\$10.25	5	0.00%	0.00%
Total	66,213	\$9.94		\$12.56		26.43%	4.79%

GA Prepared List

Original List Less Non Renewed Leases

Lease Number	Square Feet	Old Rate	Old Term	New Rate	New Term	% Rate Inc.	Annually Compounded Rate Increase
5893/6842	220	\$10.65	10	\$11.15	5	4.69%	0.46%
5932	2,207	\$11.00	5	\$13.00	5	18.18%	3.41%
6130	2,050	\$9.70	5	\$13.00	5	34.02%	6.04%
6214	6,866	\$9.80	5	\$14.00	5	42.86%	7.40%
6632	2,700	\$11.20	5	\$14.20	5	26.79%	4.85%
6228	14,094	\$10.25	5	\$10.25	5	0.00%	0.00%
6445	3,663	\$11.90	5	\$14.05	5	18.07%	3.40%
6669	12,020	\$12.10	5	\$16.00	5	32.23%	5.75%
6339	27,909	\$12.45	5	\$14.06	5	12.93%	2.46%
6721	2,987	\$11.71	5	\$16.00	10	Excluded since renewed for 10 yrs. - Not comparable	
6092	19,836	\$10.07	5	\$12.25	5	21.65%	4.00%
6278	1,888	\$11.25	5	\$12.50	5	11.11%	2.15%
Total	93,453	\$11.19		\$13.26		18.50%	3.45%

Average Annual Inflation Rate (IPD) During Period in Question Equals Approximately 2.45%

Lease Renewals During this Period Exceeded Inflation by Approximately 1.0% - Current JLARC Assumption is Lease Renewal are .2% below Inflation a difference of 1.2%.

Appendix J: DOH Presentation to Senate Ways and Means Committee; Costs for DOH Smaller Building; Revised JLARC per GBOLA/GA Work

Department *of* Health Building Consolidation Effort
Establishing foundations for the government of tomorrow

Mary Selecky, Secretary
Washington State Department of Health

FEBRUARY 2000

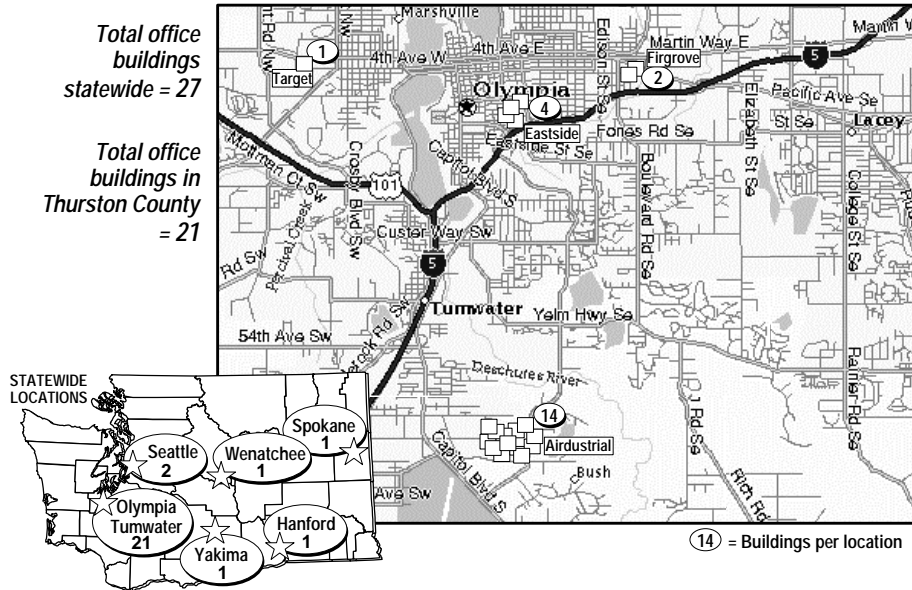
***"It* is the policy of the state to encourage the colocation and consolidation of state services into single or adjacent facilities, whenever appropriate, to improve public service delivery, minimize duplication of facilities, increase efficiency of operations, and promote sound growth management planning."**

— RCW43.82.010

An Agency Occupying 21 Buildings in Thurston County

Total office
buildings
statewide = 27

Total office
buildings in
Thurston County
= 21



WASHINGTON STATE DEPARTMENT OF HEALTH

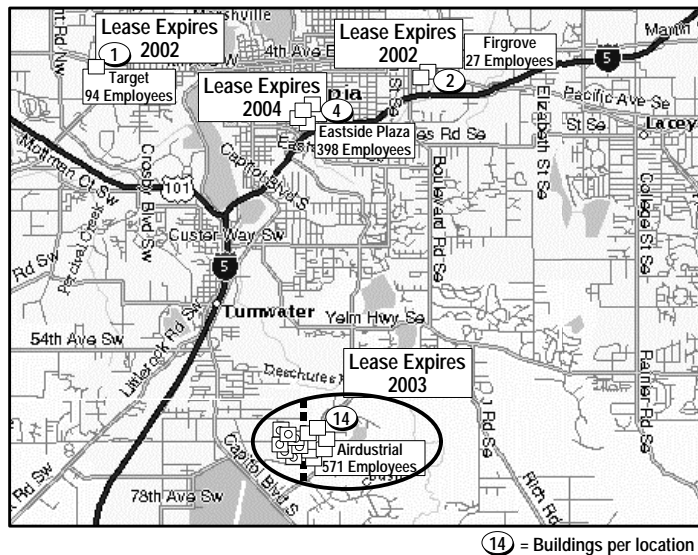
2

FEBRUARY 2000

All of DOH's Thurston County Leases Expire by 2004

In 2003, when
current leases
expire, planning for
replacement space
for 30% of DOH's
Thurston County
offices needs to be
completed.

Program
dependencies
in adjacent
buildings would
require that DOH
plan for 50% of the
agency by 2003



WASHINGTON STATE DEPARTMENT OF HEALTH

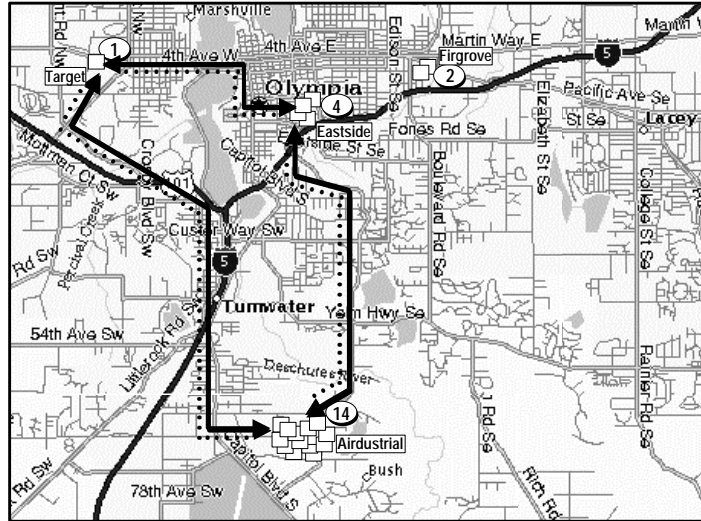
3

FEBRUARY 2000

Customer Service is Affected by All These Locations

Providers must now visit Eastside Plaza for professional licenses and Target Center for facility licenses

DOH has no central service center to meet public requests for licenses, birth or death certificates



14 = Buildings per location

WASHINGTON STATE DEPARTMENT OF HEALTH

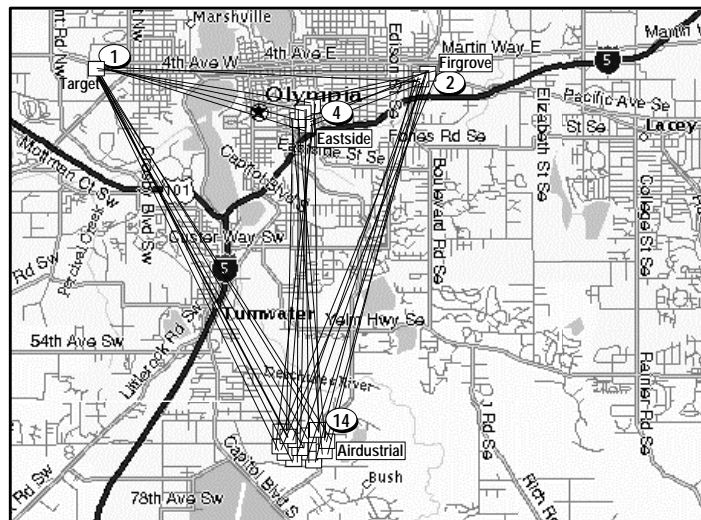
4

FEBRUARY 2000

Time Spent Traveling Between Buildings is Wasted

Employees move daily between buildings to conduct routine business, meet with staff, move equipment and information

Estimated time spent traveling between buildings annually is — at a minimum — 4,600 hours



14 = Buildings per location

WASHINGTON STATE DEPARTMENT OF HEALTH

5

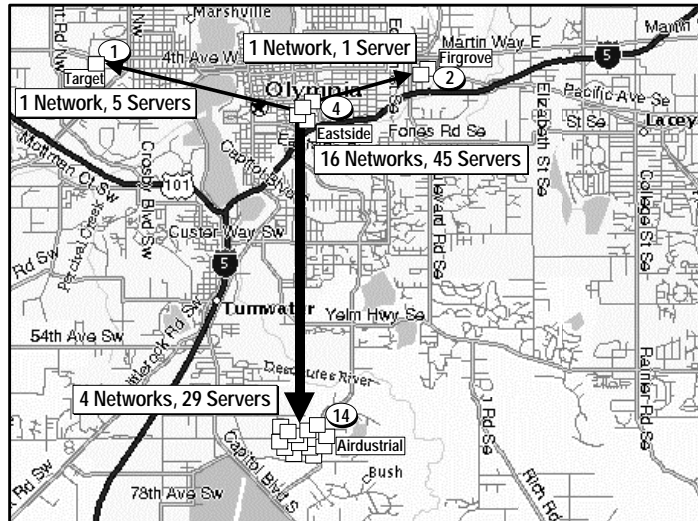
FEBRUARY 2000

Maintaining 22 Networks and 80 Servers Countywide is Costly

*DOH maintains
28 computer
networks and 97
servers
statewide*

*22 networks and
80 servers are in
Thurston County*

*Server types include:
File and Print, Data,
Application, and Web
Servers*



⑭ = Buildings per location

WASHINGTON STATE DEPARTMENT OF HEALTH

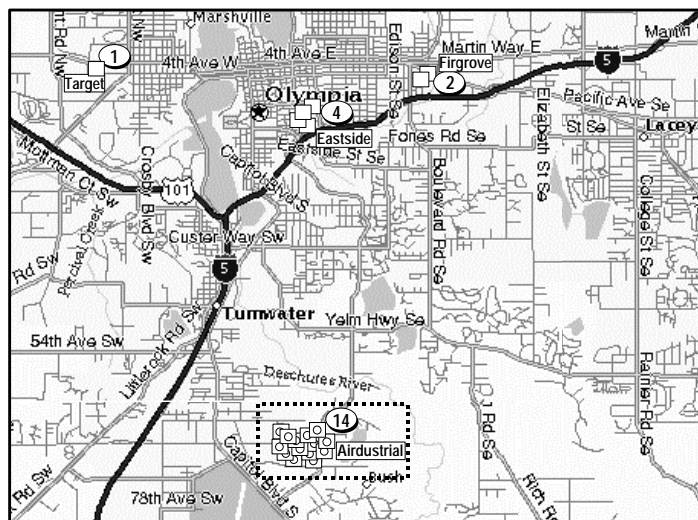
6

FEBRUARY 2000

Most of the Buildings Do Not Meet Program Needs

*30% of the space
was constructed
for temporary
purposes 30 years
ago and remodeled
in the 1980s*

*Most buildings no
longer meet
program needs or
provide for
effective
operations.*



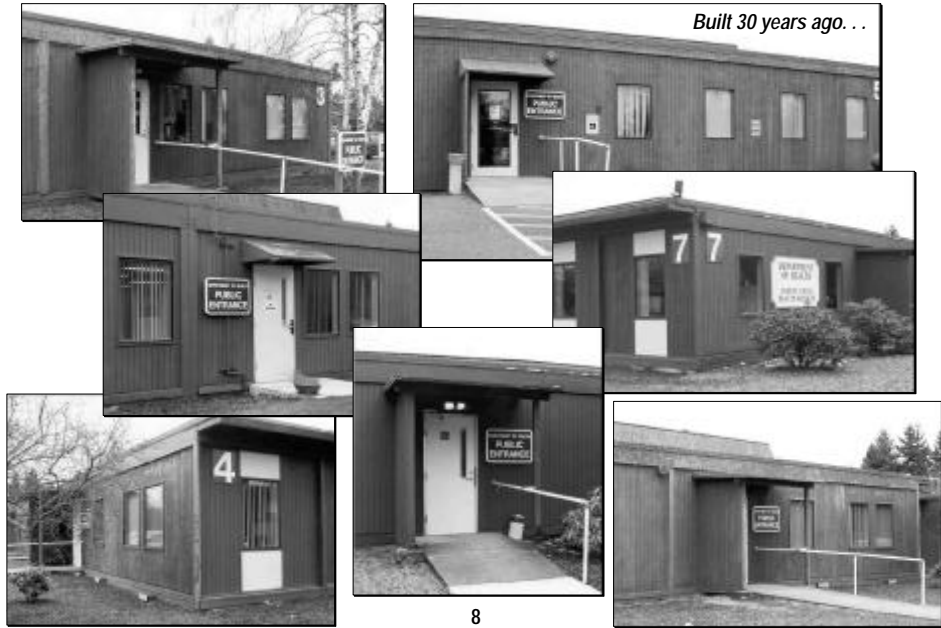
⑭ = Buildings per location

WASHINGTON STATE DEPARTMENT OF HEALTH

7

FEBRUARY 2000

These Buildings No Longer Meet DOH Program Needs



Nor Do They Provide for Effective and Efficient Operations

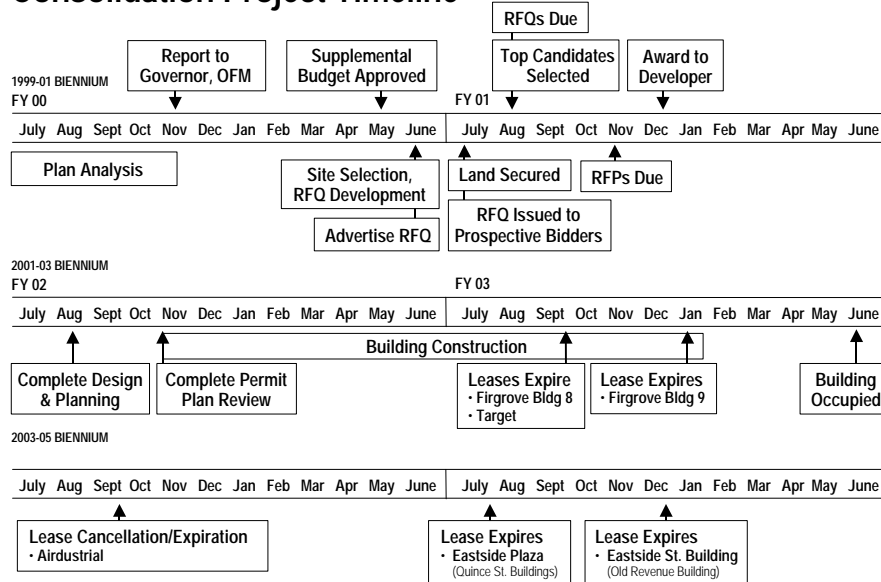
*Seven adjacent buildings
also no longer meet
program needs*

*Leases allow us to vacate
these buildings in 2003 when
other leases expire*



*Together these 14 buildings
house over half the agency's
Thurston County employees,
571 individuals*

Consolidation Project Timeline



WASHINGTON STATE DEPARTMENT OF HEALTH

10

FEBRUARY 2000

Planning Assumptions

- Staffing held to 2 percent growth over five years beginning in 1999, then
 - Historic growth rate = 2 percent per year
- Implementation of a document management system to include an aggressive retention and storage commitment, compact shelving and
- Private office spaces will be within the General Administration standard (10 percent of staff)
- Cubicles will be the standard of 8 feet x 8 feet, utilizing modular system
- Centralized functions will be consolidated:
 - Information technology, PBX, security systems, stock rooms, supplies
 - Reception services, public access areas, conference, training, copy rooms
- A modest, efficient, cost-effective (not monumental) building

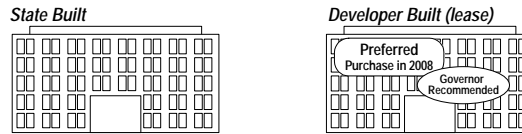
WASHINGTON STATE DEPARTMENT OF HEALTH

11

FEBRUARY 2000

Building Options

1. A single, 261,500 square foot building (Occupancy = 2003)



2. A single building, built in two phases (Occupancy = 2003, 2004)



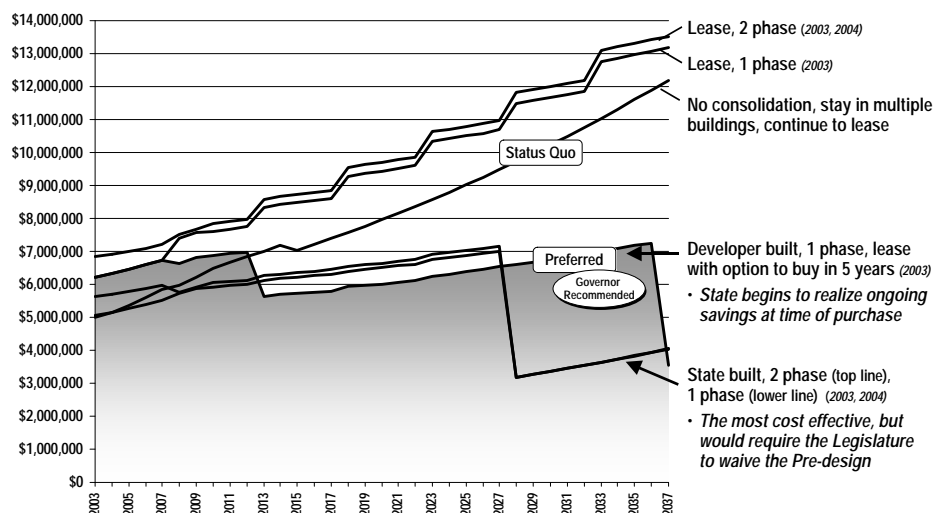
3. Multiple buildings, one location



* The lease development options allow the state the option to purchase later if the legislature decides. Building would be financed with a Certificate of Participation.

Annual Building-Related Cost Comparisons*

State Built Vs Developer Built (Single Phase, Two Phase)



SOURCE: Department of General Administration. Status quo assumes typical government lease rates for Thurston County.
* Costs reflect operating expenses for lease, custodial, utilities, management fees and interest payments. Does not include one-time moving costs or furnishings.

Department of Health Preferred Option

Proceed with a single building, single phase, developer built option and
(2008)

- Improves customer service
- Accommodates the agency's need to move by 2003
- Avoids cost overhead of additional leases, utilities, line costs and relocation between Phase 1 and Phase 2 scenarios
- Provides a quality, modest, but serviceable building, and meets state
- Has no impact on state debt limit
- Results in inherent work efficiencies achieved by a single headquarters

Spreadsheet for DOH Building Costs

Description	Category	232000	139200	
		Old Cost	New Cost	
Site Work			392040	
Site Clearing	G10	21,000	18,041	
Grading	G10	100,000	83,560	
Erosion Control	G10	10,000	10,000	
Parking Signage	G20	9,000	8,600	
Pavement	G20	845,000	620,570	
Curbing	G20	108,000	79,200	
Landscape Areas	G20	35,000	25,375	
Turf Installation	G20	5,000	4,500	
Turf Maintenance	G20	4,000	4,000	
Plant Material	G20	113,000	101,750	
Plant Material Maintenance	G20	16,000	16,000	
Onsite Fencing	G20	47,000	41,400	
Screen Walls	G20	61,000	61,000	
Storm Water System	G30	140,000	135,000	
Sewer	G30	35,000	35,000	
Domestic Water	G30	7,000	7,000	
Fire Protection	G30	123,000	123,000	
Irrigation	G30	76,000	69,000	
Onsite Lighting	G50	50,000	50,000	
Onsite Power	G50	110,000	110,000	
Site Fixtures	G60	19,000	19,000	
Boat Structure	G60	95,000	95,000	
Outdoor Structures	G60	170,000	170,000	
Sub Total		2,199,000	1,886,996	
Contractor overhead @ 15%			283,049	
Total Site Costs			2,170,045	
Facility	Sq. Ft. =	232,000	139,200	+ 15% OH
Foundation	A10	153,000	153,000	175,950
Substructure	A20	145,000	145,000	166,750
Floor Structure	B10	2,654,000	1,633,200	1,878,180
Lateral System	B10	238,000	145,200	166,980
Exterior Walls	B20	1,308,000	800,000	920,000
Windows and Exterior Entrances	B20	485,000	323,000	371,450
Roof Structure	B30	523,000	523,000	601,450
Roofing	B30	392,000	392,000	450,800
Equipment and Specialties	C10	802,000	481,200	553,380
Interior Systems and Finishes	C10	2,443,000	1,465,800	1,685,670
Sound Making System	C10	116,000	69,600	80,040
Elevators	D10	200,000	160,000	184,000
Plumbing System	D20	820,000	534,000	614,100
HVAC System	D30	4,582,000	2,749,200	3,161,580
Fire Protection	D40	472,000	286,400	329,360
Fire Alarm System	D40	290,000	174,000	200,100
Lighting	D50	1,260,000	796,000	915,400
Power	D50	1,128,000	756,800	870,320
Cable Tray System	D50	116,000	69,600	80,040
Closed Circuit TV	D50	10,600	10,600	12,190
Visual System	D50	50,000	50,000	57,500
Voice/Data Systems	D50	348,000	208,800	240,120
Paging System	D50	23,200	13,920	16,008
Access Control System	F10	174,000	130,500	150,075
Security System	F10	81,200	60,900	70,035
Systems Subtotal		18,814,000	12,131,720	13,951,478

Assumptions

Agency	Contact	Project Name	Project Number			
		Smaller Building Scenario				
Assumptions						
Base Assumptions			Value in Base Year \$'s			
		<u>Facility & Amortization Assumptions (See "Acquisition Cost" Form For Additional Devel. Costs)</u>				
		Land Value	\$0	Hard Coded On		
		Building Value	\$0	Consolidated Sheet		
		Depreciable Life of Building	0	From Other Sheet		
		Building's Rentable Square Feet	0	Hard Coded		
		Base Year	2004			
		Number of Years For Analysis	30			
		<u>Operating Cost Assumptions (Use Rentable Square Feet)</u>				
		Utilities (Per Square Foot)	\$ -	Hard Coded On		
		Custodial (Per Square Foot)	\$ -	Consolidated Sheet		
		Maintenance (Per Square Foot)	\$ -	From Other Sheet		
		Security (Per Square Foot)	\$ -			
		Property Tax Rate (per \$1,000 of AV)	\$ -			
		Insurance	\$ -			
		Parking Costs (Per Square Foot)	\$ -			
		Tenant Improvements (Per Square Foot)	\$ -			
		Capital Replacement Reserve (Per Square Foot)	\$ -			
		Management Fees (Per Square Foot)	\$ -			
		Other Oper. Costs-Acquisition (Per Square Foot)	\$ -			
		Other Oper. Costs-Status Quo (Per Square Foot)	\$ -			
		<u>Space Assumptions</u>				
		Square Footage Allowance per FTE	-			
		Other Total Space Allowances in Building	-	Hard Coded		
		Vacancy Rate on Underutilized Space	0.00%			
		Base Number of FTE	0			
		<u>Financing & Revenue Assumptions</u>				
		Interest Rate (Percentage)	0.00%	Hard Coded On		
		Cost of Financing (Percentage)	0.00%	Consolidated Sheet		
		Years Financed	0	From Other Sheet		
		Discount Rate	7.00%			
		Present Lease Cost (Per Square Foot)	\$0.00	Hard Coded		
		Base rent from underutilized space	\$0.00			
		<u>Moving, Equipment & Other One-Time Expenses</u>				
			Value			
		Moving Expenses (Per FTE)	\$0.00			
		Furniture (Per FTE)	\$0.00			
		Telephone (Per FTE)	\$0.00			
		Data Processing (Per FTE)	\$0.00			
		Other Equipment (Per FTE)	\$0.00			
			Value	Year		
		Moving Expenses (Added to Per FTE-Total)	\$0.00			
		Furniture (Added to Per FTE-Total)	\$0.00			
		Telephone (Added to Per FTE-Total)	\$0.00			
		Data Processing (Added to Per FTE-Total)	\$0.00			
		Other Equipment (Added to Per FTE-Total)	\$0.00			
Inflation Assumptions						
		<u>Facility & Amortization Assumptions</u>				
		Land Value	0.00%			
		Building Value	0.00%			
		<u>Operating Cost Assumptions</u>				
		Utilities	0.00%	Hard Coded On		

Assumptions

	Custodial	0.00%	Consolidated Sheet		
	Maintenance	0.00%	From Other Sheet		
	Security	0.00%			
	Taxes	0.00%			
	Insurance	0.00%			
	Parking	0.00%			
	Tenant Improvements	0.00%			
	Capital Replacement Reserve	0.00%			
	Management Fees	0.00%			
	Other Oper. Costs-Acquisition	0.00%			
	Other Oper. Costs-Status Quo	0.00%			
	<u>Space Assumptions</u>				
	Square Footage Growth per FTE	0.00%			
	Other Total Space Growth in Building	0.00%			
	Growth in FTE	0.00%			
	<u>Financing & Revenue Assumptions</u>				
	Present Lease Costs	0.00%	Hard Coded		
	Increase in rents from other tenants	0.00%			
	<u>Moving, Equipment & Other One-Time Expenses</u>				
	Moving Expenses (Per FTE)	0.00%			
	Furniture (Per FTE)	0.00%			
	Telephone (Per FTE)	0.00%			
	Data Processing (Per FTE)	0.00%			
	Other Equipment (Per FTE)	0.00%			
	Moving Expenses (Added to Per FTE-Total)	0.00%			
	Furniture (Added to Per FTE-Total)	0.00%			
	Telephone (Added to Per FTE-Total)	0.00%			
	Data Processing (Added to Per FTE-Total)	0.00%			
	Other Equipment (Added to Per FTE-Total)	0.00%			
	<u>Cash Flow & Net Present Value Analysis</u>				
	<u>Cash Flow-Status Quo</u>	\$142,486,724			
	<u>Net Present Value-Status Quo</u>	\$61,146,684			
	<u>Square Foot Rate (Net Present Value)</u>				
	<u>Cash Flow-New Proposal</u>				
	Operating Costs	\$33,841,671			
	Amortization Costs	\$55,429,439			
	Moving & Equipment	\$2,331,999			
	Residual Value	(\$41,989,249)			
	Revenue from Underutilized Space	\$0			
	Repair & Replacement	\$9,121,744			
	<u>Total Cash Flow-New Proposal</u>	\$58,735,604			
	<u>Net Present Value-New Proposal</u>				
	Operating Costs	\$10,265,765			
	Amortization Costs	\$18,422,182			
	Moving & Equipment	\$2,179,438			
	Residual Value	(\$5,516,007)			
	Revenue from Underutilized Space	\$0			
	Repair & Replacement	\$2,767,052			

Assumptions

		<i>Net Present Value of New Proposal</i>	\$28,118,430			
		<u>Square Foot Rate - Net Cost/SF (Net Present Value)</u>				
		<u>Square Foot Rate - Per Square Foot Available (Net Present Value)</u>				
		<u>Totals of 5 Year Lease + Acquisition after 5 Years</u>				
		<i>Total Cash Flow-Combined</i>	\$201,222,328			
		<i>Net Present Value of Combined</i>	\$89,265,114			

Assumptions

Agency	Contact	Project Name	Project Number			
		Combined Lease Purchase Lease for 5 Years then Purchase - Profit & Furniture Calc. Different				
Assumptions						
Base Assumptions			Value in Base Year \$'s			
		<u>Facility & Amortization Assumptions (See "Acquisition Cost" Form For Additional Devel. Costs)</u>				
		Land Value	\$0	Hard Coded On		
		Building Value	\$0	Consolidated Sheet		
		Depreciable Life of Building	0	From Other Sheet		
		Building's Rentable Square Feet	243,190			
		Base Year	2003			
		Number of Years For Analysis	30			
		<u>Operating Cost Assumptions (Use Rentable Square Feet)</u>				
		Utilities (Per Square Foot)	\$ -	Hard Coded On		
		Custodial (Per Square Foot)	\$ -	Consolidated Sheet		
		Maintenance (Per Square Foot)	\$ -	From Other Sheet		
		Security (Per Square Foot)	\$ -			
		Property Tax Rate (per \$1,000 of AV)	\$ -			
		Insurance	\$ -			
		Parking Costs (Per Square Foot)	\$ -			
		Tenant Improvements (Per Square Foot)	\$ -			
		Capital Replacement Reserve (Per Square Foot)	\$ -			
		Management Fees (Per Square Foot)	\$ -			
		Other Oper. Costs-Acquisition (Per Square Foot)	\$ -			
		Other Oper. Costs-Status Quo (Per Square Foot)	\$ -			
		<u>Space Assumptions</u>				
		Square Footage Allowance per FTE	194			
		Other Total Space Allowances in Building	-			
		Vacancy Rate on Underutilized Space	0.00%			
		Base Number of FTE	1107			
		<u>Financing & Revenue Assumptions</u>				
		Interest Rate (Percentage)	0.00%	Hard Coded On		
		Cost of Financing (Percentage)	0.00%	Consolidated Sheet		
		Years Financed	0	From Other Sheet		
		Discount Rate	7.00%			
		Present Lease Cost (Per Square Foot)	\$26.88	Avg 5 yr rate		
		Base rent from underutilized space	\$19.25			
		<u>Moving, Equipment & Other One-Time Expenses</u>				
			Value			
		Moving Expenses (Per FTE)	\$0.00			
		Furniture (Per FTE)	\$2,162.59			
		Telephone (Per FTE)	\$0.00			
		Data Processing (Per FTE)	\$906.48			
		Other Equipment (Per FTE)	\$0.00			
			Value	Year		
		Moving Expenses (Added to Per FTE-Total)	\$0.00			
		Furniture (Added to Per FTE-Total)	\$0.00			
		Telephone (Added to Per FTE-Total)	\$0.00			
		Data Processing (Added to Per FTE-Total)	\$0.00			
		Other Equipment (Added to Per FTE-Total)	\$0.00			
Inflation Assumptions						
		<u>Facility & Amortization Assumptions</u>				
		Land Value	0.00%			
		Building Value	0.00%			
		<u>Operating Cost Assumptions</u>				
		Utilities	0.00%	Hard Coded On		

Assumptions

	Custodial	0.00%	Consolidated Sheet		
	Maintenance	0.00%	From Other Sheet		
	Security	0.00%			
	Taxes	0.00%			
	Insurance	0.00%			
	Parking	0.00%			
	Tenant Improvements	0.00%			
	Capital Replacement Reserve	0.00%			
	Management Fees	0.00%			
	Other Oper. Costs-Acquisition	0.00%			
	Other Oper. Costs-Status Quo	2.70%			
	<u>Space Assumptions</u>				
	Square Footage Growth per FTE	0.00%			
	Other Total Space Growth in Building	0.00%			
	Growth in FTE	2.00%	to 1251 in 2010		
	<u>Financing & Revenue Assumptions</u>				
	Present Lease Costs	2.50%			
	Increase in rents from other tenants	2.50%			
	<u>Moving, Equipment & Other One-Time Expenses</u>				
	Moving Expenses (Per FTE)	0.00%			
	Furniture (Per FTE)	0.00%			
	Telephone (Per FTE)	0.00%			
	Data Processing (Per FTE)	0.00%			
	Other Equipment (Per FTE)	0.00%			
	Moving Expenses (Added to Per FTE-Total)	0.00%			
	Furniture (Added to Per FTE-Total)	0.00%			
	Telephone (Added to Per FTE-Total)	0.00%			
	Data Processing (Added to Per FTE-Total)	0.00%			
	Other Equipment (Added to Per FTE-Total)	0.00%			
	<u>Cash Flow & Net Present Value Analysis</u>				
	<u>Cash Flow-Status Quo</u>	\$32,694,464			
	<u>Net Present Value-Status Quo</u>	\$26,784,245			
	<u>Square Foot Rate (Net Present Value)</u>				
	<u>Cash Flow-New Proposal</u>				
	Operating Costs	\$60,437,798			
	Amortization Costs	\$96,842,081			
	Moving & Equipment	\$3,766,939			
	Residual Value	(\$69,689,709)			
	Revenue from Underutilized Space	(\$2,061,814)			
	Repair & Replacement	\$16,666,364			
	<u>Total Cash Flow-New Proposal</u>	\$106,012,737			
	<u>Net Present Value-New Proposal</u>				
	Operating Costs	\$18,333,616			
	Amortization Costs	\$32,185,829			
	Moving & Equipment	\$3,455,440			
	Residual Value	(\$9,154,936)			
	Revenue from Underutilized Space	(\$1,712,700)			
	Repair & Replacement	\$5,055,689			

Assumptions

		<i>Net Present Value of New Proposal</i>	\$48,196,768			
		<u>Square Foot Rate - Net Cost/SF (Net Present Value)</u>				
		<u>Square Foot Rate - Per Square Foot Available (Net Present Value)</u>				
		<u>Totals of 5 Year Lease + Acquisition after 5 Years</u>				
		<i>Total Cash Flow-Combined</i>	\$138,707,201			
		<i>Net Present Value of Combined</i>	\$74,981,013			

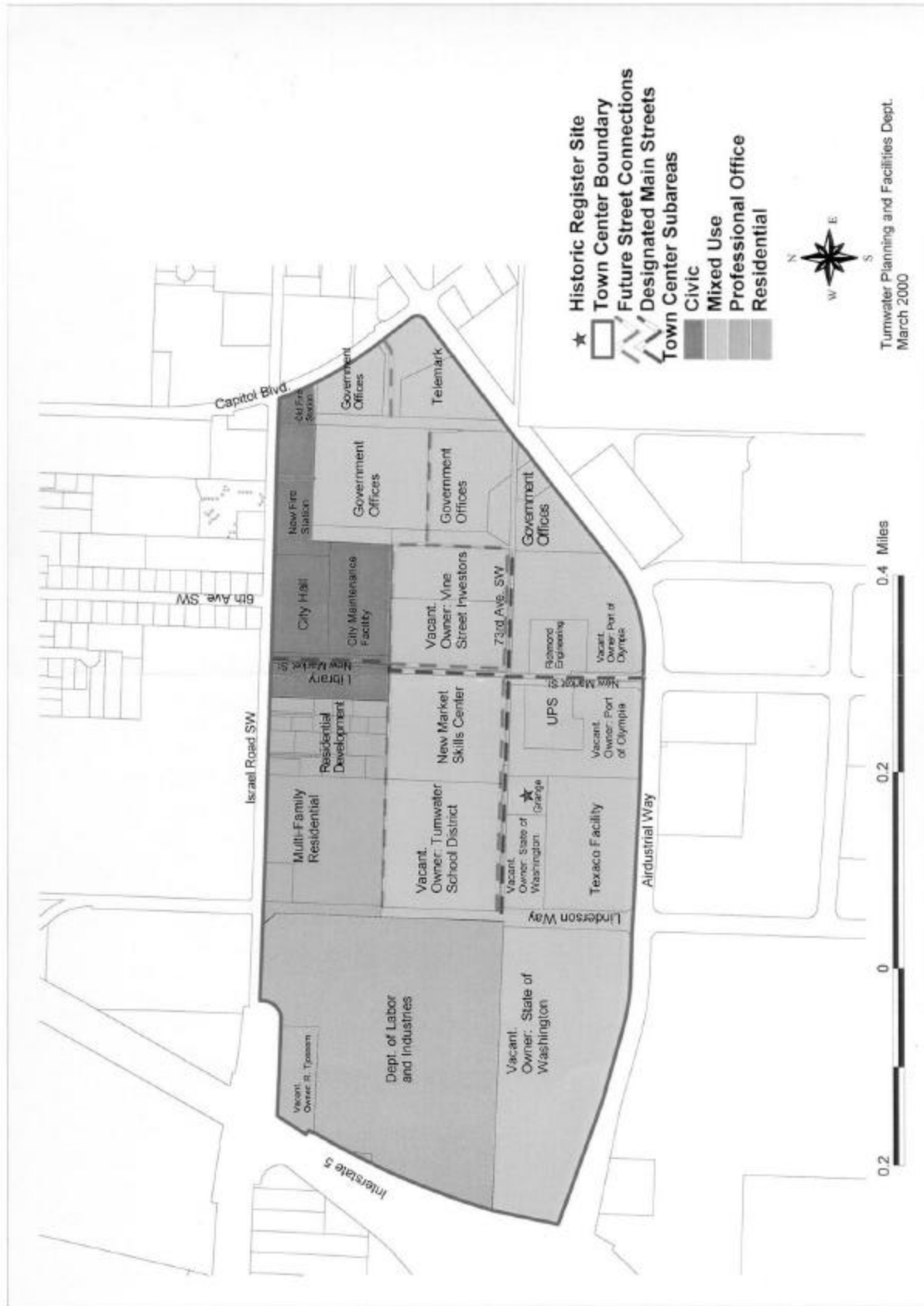
Appendix K: Update to Report #2 List of Potential Olympia Development Sites

ZONED	
Use	Downtown Business (DB)
Height	80 Feet
Coverage	100%
Notes:	High profile location located in the new Heritage Park. Excellent views all directions. Located in the preferred development area. DB zoning allows for two additional floors if they are for residential use.



**Appendix L: Tumwater Town Center Neighborhood
Land Use Plan, Chapter 13, Section 13.7, Pages 170-175**

TUMWATER TOWN CENTER



13.7 TUMWATER TOWN CENTER

The citizens of Tumwater envision a future downtown on 190-acres of the Tumwater Town Center Neighborhood bordered by Interstate 5, Airdustrial Way, Capitol Boulevard and Israel Road. This chapter of the Land Use Plan offers a framework for a mixed-use, urban density, transit-supported community services center, a true downtown for a city whose urban nucleus was decimated by freeway construction in the late 1950s. This area is called the Tumwater Town Center, and represents a component of the Tumwater Town Center Neighborhood.

The vision for this area includes creation of a downtown and community gathering place; a broad mix of uses; clustered development to create a critical mass for public transportation; and continuing responsiveness to regional goals for growth management and environmental protection.

In addition to the major goal of replacing the town center lost by the construction of Interstate 5, other goals of the Tumwater Town Center plan are to:

- Create a mixed-use town center consisting of commercial developments of office, retail and service businesses; residential; educational; civic services; support facilities; and public assembly facilities.
- Site and develop new professional office facilities to build a "critical mass" of employment, which is critical to encouraging high-capacity public transit and discouraging the use of single-occupant vehicles.
- Create open space and park areas to preserve the area's natural resources and beauty.

This plan is distinguished by eight elements:

1. Land Use

The Tumwater Town Center is envisioned to include a mix of land uses: state facilities; private commercial developments of office, retail and service businesses; residential; educational; civic/community services; support facilities/services (i.e., child care); public assembly; open spaces; and parking. A vibrant mixture of activity, with people potentially present 24 hours a day, is anticipated. Land uses that reinforce this activity are encouraged.

Tumwater Town Center is divided into four subareas. Each of these subareas is described below. Supporting policies provide a framework to guide future development of the Tumwater Town Center.

Mixed Use. The goal of the Mixed Use Subarea is to provide mixed retail, office and residential uses at a level of intensity sufficient to support transit services and to provide a focus for the town center. A broad mix of land uses should be allowed, including retail, offices, services, restaurants, entertainment, lodging, community facilities and residential. The following percentages represent a desirable mix of ground floor land uses for this subarea. These percentages are intended to monitor the development of the entire Mixed Use Subarea over time. It is not the intent to apply these percentages to individual development proposals.

Office - 45%

Retail- 40%

Residential- 15%

Mixed Use Policies

Provide opportunities and incentives for mixed use developments that incorporate retail or office uses on the ground floor with services or housing on upper stories.

Encourage retail uses along Tumwater Town Center main streets to promote development of a concentrated shopping area that serves as an activity, people oriented focus to the town center. Buildings should be oriented toward the main streets and public spaces where possible. Building facades should provide visual interest to pedestrians. Street level windows, minimum building setbacks, on-street entrances, landscaping, and articulated walls should be encouraged.

Encourage public and private sector cooperation in providing capital investment, such as parking and street improvements that contribute to encouraging new business to locate in the town center.

Initiate a capital improvement strategy to implement pedestrian improvements, beautification projects, parks and civic facilities in the town center.

Professional Office. The goal of this subarea is to provide an area for large professional office buildings in close proximity to transit and arterial and collector roadways. This subarea is intended to provide for employment growth in professional, business, health and personal services.

Professional Office Policies

Encourage retention, location and expansion of professional, financial and commercial office land uses for personal and business services.

- Provide opportunities for complementary retail uses within office structures.

Civic. Existing civic land uses include the Tumwater City Hall, Tumwater Timberland Library and the new Tumwater Headquarters Fire Station. The goal of this subarea is to provide civic uses that provide identity and focus for the Tumwater Town Center.

Civic Policies

- Encourage development of buildings and public spaces within the Civic Subarea that can provide civic functions.

Residential. The goal of the Residential Subarea is to provide for a high quality, high density living environment within walking distance of jobs, shopping and public transportation.

Residential Policies

- Encourage the development of housing in the Tumwater Town Center to support business activities and to increase the vitality of the area.
- Encourage a mix of housing choices to create variety in residential opportunity and to maintain a jobs/housing balance within the Tumwater Town Center, to make the town center a "people place" in the early morning, daytime and evening hours.
- Encourage a variety of well-designed housing styles.
- Apply development standards and guidelines to promote aesthetically pleasing, private, safe and comfortable housing through design and open space.

Parking alternatives should be explored. On-street parking should be accommodated in the Tumwater Town Center. The City should work with Intercity Transit to identify possible sites for the eventual construction of a transit center.

One or more parking garages should be considered. Possible sites, funding options and design features (e.g. first floor retail) should be evaluated. Development standards for surface parking lots and parking garages will be developed in the design review guidelines for the area. Several concepts the City should consider are provided below.

- Limit the amount of street front surface parking lots, with no surface parking lots on the main streets.
- Limit curb cuts to minimize the apparent width of parking lots.
- Adopt design guidelines that will apply to parking structures that face the street, unless such structures are located underground.
- Require parking structures to be located behind building.
- Allow parking structures to be located along the street if the ground floor is utilized for retail use.

- Restrict surface parking lots on corners so that buildings are the dominant features of the intersection.
- Require parking facilities to be designed so that access is from an alley or from a street at locations that do not conflict with pedestrian circulation.
- Maximize on-street parking for customer (short term) use to provide a pedestrian-friendly environment; develop standards for on-street parking areas.

Among the existing uses in this area are an underground petroleum pipeline and above and underground petroleum storage tanks (Texaco), a United Parcel Service shipping facility, and Richmond Engineering, a specialty steel fabricator. Removal and relocation of the Texaco petroleum facilities will be necessary for the maturation of the Tumwater Town Center. New zoning standards for the town center should allow United Parcel Service and Richmond Engineering to remain as conditional uses. Future additions or expansions of these two facilities of up to 50% of the existing floor space should be allowed subject to design and development standards to ensure compatibility with the surrounding area.

2. Density and Scale

The area should consist of multi-story buildings that will define a new town center for Tumwater. The density should be greatest along the future downtown main streets. Such density is needed to accommodate predicted future use demands and create the development pattern. Further, the density is desirable to create a critical mass of potential transit ridership.

3. Architectural Character

Creation of an urban character (not rural or suburban) is key. Buildings should front directly on designated main streets where possible. Overhangs and awnings could provide pedestrian protection and link individual buildings. Parking should not disrupt building activity and should be located unobtrusively. Design review guidelines should be developed for this area to facilitate its future development as a town center. Adoption of urban development standards (e.g. wide sidewalks, zero setbacks and public plazas) should also be considered. Encourage the installation of benches, kiosks and other street furniture that provide a unifying element and aid in developing the pedestrian scale of the area.

4. Landscaping and Open Space

A plaza, central square or commons should be provided as a gathering place in the Tumwater Town Center. Visual pedestrian features, e.g., fountains, sculptures and other focal points that will draw people to this type of facility should be considered. A centrally located site that could be re-developed as a plaza is the current City maintenance shop site located south of City Hall.

The Tumwater Parks and Recreation Plan calls for a neighborhood park to be developed in a central location within the downtown area. The plan specifically calls for this park to be oriented toward passive recreation. A potential site for a neighborhood park should be identified.

Open space corridors with trails should be provided throughout the Tumwater Town Center area. Specific routes for trails/walkways should be identified. Routes should connect other open space or landscaped areas. Connection of land uses provides for activity throughout the town center at all times of the day and night.

Existing city open space and landscaping standards should be required for new developments locating in the city center area. Funding alternatives for public open space areas should be explored.

Consolidation of open space areas in the Tumwater Town Center into a specific area may be considered as an alternative to providing small pockets of open space throughout the town center.

5. Lighting and Signage

Lighting and signage should provide a consistent and distinguishable character to the area. Architectural features and focal buildings will define primary destinations and access points. Signage-and lighting should add to those features by providing information, orientation, and safety. Of particular importance will be transit signage. Transit shelters and other facilities should be consistent with the city center character and meet the needs and standards of Intercity Transit. Lighting must not create any navigational hazards for the Olympia Airport.

6. Circulation

Numerous multi-modal transportation connections must be provided for the development of the area. New Market Street should be extended to permit a circulation route between Airdustrial Way and Israel Road; 73rd Avenue should be extended to provide an east-west street connection linking the town center to Linderson Way and Cleanwater Lane. Streets through the area in both north-south and east-west directions will encourage growth of retail services, enhance transit service, and increase pedestrian activity. Walkways throughout the Tumwater Town Center should be wide and generous to provide pedestrian-friendly access and circulation.

7. Utilities

All utilities are available to the area. Electrical power, natural gas, water, storm drainage and sanitary sewer systems will require upgrading and extension to complete the utility service system. The concept for distribution follows existing and new public rights-of-way.

The subsurface conditions in the area are significant to the Tumwater Town Center's development. Groundwater is at relatively shallow depths, typically about 10 feet. Surface materials are highly permeable and will require significant storm drainage retention/detention systems as part of the area's development. Options for addressing storm drainage should be explored. One alternative is to provide a regional storm drainage facility on property located outside of the neighborhood.

Another option is to incorporate storm drainage facilities into the design of individual developments. Design and aesthetic standards should be developed to ensure the facilities are safe (i.e. not too steep) and aesthetically pleasing. Utility improvements are envisioned to be concurrent with proposed development.

8. Street design

Specific street cross-sections should be considered when adopting the City's transportation plan and development standards for the area.

All roadways should have plantings, seating, trash receptacles, hydrants, tree grates or planter strips, and bus stops, in scale with the proportions of the roadway and the surrounding area, and designed to reflect the civic character of the town center and the history of Tumwater. Wide sidewalks and bi-level, decorative street and pedestrian lighting should be provided along the main streets. Streets should be designed to accommodate on-street parking.